



**GOODWILL OF CENTRAL AND SOUTHERN INDIANA, INC. AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 30, 2023 AND DECEMBER 31, 2022**

**AND**

**SUPPLEMENTAL INFORMATION**

**DECEMBER 30, 2023**

*CPAs / ADVISORS*



**GOODWILL OF CENTRAL AND SOUTHERN INDIANA, INC.  
AND SUBSIDIARIES**

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DECEMBER 30, 2023 AND DECEMBER 31, 2022

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Blue & Co., LLC / 500 N. Meridian Street, Suite 200 / Indianapolis, IN 46204  
main 317.633.4705 fax 317.633.4889 email blue@blueandco.com

## REPORT OF INDEPENDENT AUDITORS

Board of Directors  
Goodwill of Central and Southern Indiana, Inc. and Subsidiaries  
Indianapolis, Indiana

### Report on the Audit of Consolidated Financial Statements

#### *Opinion*

We have audited the accompanying consolidated financial statements of Goodwill of Central and Southern Indiana, Inc. and Subsidiaries (hereby referred to as "Goodwill"), a nonprofit organization, which comprise the consolidated statements of financial position as of December 30, 2023 and December 31, 2022, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Goodwill as of December 30, 2023 and December 31, 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources*, issued by the Indiana State Board of Accounts. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Goodwill and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Change in Accounting Principle*

As discussed in Note 3 to the consolidated financial statements, Goodwill adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments- Credit Losses (Topic 326)* in 2023. Our opinion is not modified with respect to this matter.

*Responsibilities of Management for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Goodwill's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

*Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Board of Directors  
Goodwill of Central and Southern Indiana, Inc. and Subsidiaries  
Indianapolis, Indiana

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Goodwill's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Goodwill's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Supplemental Information*

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Board of Directors  
Goodwill of Central and Southern Indiana, Inc. and Subsidiaries  
Indianapolis, Indiana

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2024 on our consideration of Goodwill's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Goodwill's internal control over financial reporting and compliance.

**Blue & Co., LLC**

Indianapolis, Indiana  
March 12, 2024

**GOODWILL OF CENTRAL AND SOUTHERN INDIANA, INC.  
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 30, 2023 AND DECEMBER 31, 2022

	<b>ASSETS</b>	
	2023	2022
<b>Current assets</b>		
Cash and cash equivalents	\$ 28,774,832	\$ 22,600,594
Trade accounts receivable, net of allowance of \$203,839 in 2023 and \$321,867 in 2022	6,202,526	4,494,564
Related party receivables	938,096	1,113,730
Other receivables	2,983,708	1,071,251
Prepaid expenses	2,184,697	1,510,653
Inventory - purchased goods	1,003,563	1,290,685
Inventory - donated goods	6,301,216	6,130,888
Total current assets	48,388,638	38,212,365
<b>Property and equipment, net</b>	152,588,658	154,203,039
<b>Other assets</b>		
Investments	10,324,803	9,569,537
Investment in affiliate	1,407,016	1,353,499
Deposits and other	180,000	80,000
Interest rate swaps	2,323,017	3,067,116
Total other assets	14,234,836	14,070,152
Total assets	\$ 215,212,132	\$ 206,485,556
	<b>LIABILITIES AND NET ASSETS</b>	
<b>Current liabilities</b>		
Current portion of long-term debt	\$ 1,683,056	\$ 4,723,217
Current portion of finance lease liabilities	16,018	78,636
Current portion of operating lease liabilities	9,413,388	9,510,112
Refundable advances	2,000,000	-0-
Accounts payable	3,161,331	2,922,930
Accrued salaries, wages and other liabilities	8,234,806	6,602,662
Other accrued liabilities	5,266,512	4,418,899
Total current liabilities	29,775,111	28,256,456
<b>Long-term debt less current portion</b>	23,172,907	24,850,010
<b>Long-term finance lease liabilities less current portion</b>	31,308	70,376
<b>Long-term operating lease liabilities less current portion</b>	42,736,928	46,022,203
<b>Other</b>	262,437	253,374
Total other liabilities	66,203,580	71,195,963
Total liabilities	95,978,691	99,452,419
<b>Net assets without restrictions</b>	119,233,441	107,033,137
Total liabilities and net assets	\$ 215,212,132	\$ 206,485,556

See accompanying notes to consolidated financial statements.

**GOODWILL OF CENTRAL AND SOUTHERN INDIANA, INC.  
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEARS ENDED DECEMBER 30, 2023 AND DECEMBER 31, 2022

	2023	2022
<b>Revenues, gains and support</b>		
Sales - donated goods	\$ 146,482,540	\$ 139,530,693
Commercial services	19,880,917	17,419,548
Mission advancement	12,536,304	8,093,832
Education services	35,369,302	30,253,557
United Way support	808,743	769,163
Foundation grants and contributions	6,499,572	5,859,265
Other revenue and support	3,649,200	3,962,485
Net assets released from restrictions for specified purpose	-0-	285,928
Total revenues, gains, and support	225,226,578	206,174,471
<b>Expenses</b>		
Retail services	116,902,772	110,804,462
Commercial services	24,885,529	22,460,986
Mission advancement	19,334,743	14,376,706
Education services	35,665,091	33,174,664
General and administrative	17,163,345	13,990,123
Fundraising	1,155,664	888,430
Total expenses	215,107,144	195,695,371
Excess revenues, gains and support over expenses	10,119,434	10,479,100
<b>Other changes in net assets without restrictions</b>		
Foundation management fees	1,229,902	1,079,677
Investment return, net	1,505,232	(721,191)
Gain (loss) on interest rate swaps	(744,099)	2,675,670
Loss on disposition of property and equipment	(63,682)	(3,236)
Gain on investment in affiliate	153,517	56,554
Total other changes in net assets without restrictions	2,080,870	3,087,474
Total changes in net assets without restrictions	12,200,304	13,566,574
<b>Changes in net assets with restrictions</b>		
Net assets released from restrictions for specified purpose	-0-	(285,928)
Changes in net assets	12,200,304	13,280,646
<b>Net assets</b>		
Beginning of year	107,033,137	93,752,491
End of year	\$ 119,233,441	\$ 107,033,137

See accompanying notes to consolidated financial statements.



**GOODWILL OF CENTRAL AND SOUTHERN INDIANA, INC.  
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES  
YEARS ENDED DECEMBER 30, 2023 AND DECEMBER 31, 2022**

	Retail Services	Commercial Services	Mission Advancement	Education Services	General and Administrative	Fundraising	2023 Totals
Salaries and wages	\$ 64,693,828	\$ 11,064,213	\$ 12,096,422	\$ 18,131,205	\$ 7,345,390	\$ 648,951	\$ 113,980,009
Benefits	11,813,495	2,750,544	2,961,733	5,750,401	1,886,341	217,493	25,380,007
Cost of sales	188,429	4,057,663	-0-	-0-	-0-	-0-	4,246,092
Professional fees	4,160,293	1,088,477	669,146	2,285,880	1,899,526	42,410	10,145,732
Supplies	6,511,257	1,125,714	631,154	2,036,201	813,449	121,032	11,238,807
Occupancy	22,882,636	3,862,339	339,756	3,528,933	1,715,512	42,498	32,371,674
Depreciation	4,550,907	738,641	130,758	2,003,370	611,179	9,079	8,043,934
Travel and transportation	895,891	115,757	421,979	170,576	331,178	6,331	1,941,712
Advertising	1,015,543	33,870	188,537	646,411	903,976	48,972	2,837,309
Interest	3,418	-0-	-0-	-0-	789,643	-0-	793,061
Staff development	39,287	34,546	457,003	255,324	169,738	5,498	961,396
Memberships and dues	1,283	12,004	8,899	12,402	280,317	3,624	318,529
Student services	-0-	-0-	-0-	741,688	-0-	-0-	741,688
Client services	3,318	39	1,318,737	3,671	-0-	-0-	1,325,765
Other	143,187	1,722	110,619	99,029	417,096	9,776	781,429
	<u>\$ 116,902,772</u>	<u>\$ 24,885,529</u>	<u>\$ 19,334,743</u>	<u>\$ 35,665,091</u>	<u>\$ 17,163,345</u>	<u>\$ 1,155,664</u>	<u>\$ 215,107,144</u>

  

	Retail Services	Commercial Services	Mission Advancement	Education Services	General and Administrative	Fundraising	2022 Totals
Salaries and wages	\$ 59,208,789	\$ 10,074,359	\$ 9,623,597	\$ 17,465,065	\$ 6,688,881	\$ 570,828	\$ 103,631,519
Benefits	10,396,987	2,359,559	2,241,330	4,729,164	1,464,506	182,825	21,374,371
Cost of sales	763,840	4,602,693	-0-	-0-	-0-	-0-	5,366,533
Professional fees	4,266,589	418,109	414,082	2,527,692	1,538,088	4,444	9,169,004
Supplies	6,857,801	845,603	601,067	1,318,484	846,371	50,290	10,519,616
Occupancy	21,351,711	3,119,986	255,649	3,671,248	1,565,693	40,899	30,005,186
Depreciation	4,534,677	768,043	201,013	2,018,027	463,983	1,766	7,987,509
Travel and transportation	1,081,942	117,694	163,245	124,845	136,946	2,883	1,627,555
Advertising	1,237,582	32,030	50,569	562,836	611,074	17,888	2,511,979
Interest	906,212	-0-	-0-	-0-	-0-	-0-	906,212
Staff development	13,594	10,939	332,490	158,979	119,361	542	635,905
Memberships and dues	2,406	12,618	6,117	13,098	246,423	2,081	282,743
Student services	-0-	-0-	-0-	492,900	-0-	-0-	492,900
Client services	3,929	5,950	460,152	3,109	18	1,158	474,316
Other	178,403	93,403	27,395	89,217	308,779	12,826	710,023
	<u>\$ 110,804,462</u>	<u>\$ 22,460,986</u>	<u>\$ 14,376,706</u>	<u>\$ 33,174,664</u>	<u>\$ 13,990,123</u>	<u>\$ 888,430</u>	<u>\$ 195,695,371</u>

See accompanying notes to consolidated financial statements.

**GOODWILL OF CENTRAL AND SOUTHERN INDIANA, INC.  
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 30, 2023 AND DECEMBER 31, 2022

	2023	2022
<b>Operating activities</b>		
Change in net assets	\$ 12,200,304	\$ 13,280,646
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	8,043,934	7,987,509
Amortization	5,958	5,958
Credit loss expense (recoveries)	(59,268)	202,833
Loss on disposal of property and equipment	63,682	3,236
(Gain) loss on interest rate swaps	744,099	(2,675,670)
Gain on investment in affiliate	(153,517)	(56,554)
Unrealized and realized (gain) loss on investments	(466,858)	1,045,468
Changes in operating assets and liabilities		
Trade accounts receivable	(1,648,694)	(621,845)
Other receivables	(1,736,823)	(879,607)
Prepaid expenses and other	(827,561)	(250,715)
Inventory	116,794	262,123
Refundable advances	2,000,000	-0-
Accounts payable and accrued liabilities	2,344,823	(1,916,079)
Other long-term liabilities	9,063	(121,573)
Net cash flows from operating activities	20,635,936	16,265,730
<b>Investing activities</b>		
Purchase of property and equipment	(9,501,899)	(7,327,302)
Gain on investment in affiliate	153,517	56,554
Proceeds from sale of investments	3,377,646	3,798,959
Purchase of investments	(3,666,054)	(1,306,160)
Net cash flows from investing activities	(9,636,790)	(4,777,949)
<b>Financing activities</b>		
Borrowings and repayments on line of credit, net	-0-	(871,200)
Principal payments on long-term debt	(4,723,222)	(4,205,685)
Payments on finance lease obligations	(101,686)	(153,614)
Net cash flows from financing activities	(4,824,908)	(5,230,499)
Net change in cash and cash equivalents	6,174,238	6,257,282
<b>Cash and cash equivalents</b>		
Beginning of year	22,600,594	16,343,312
End of year	\$ 28,774,832	\$ 22,600,594
<b>Supplemental disclosures of cash flows information</b>		
Cash paid for interest	\$ 786,177	\$ 900,254
<b>Non cash investing activities</b>		
Property and equipment included in accounts payable	\$ 373,335	\$ 558,076
Property and equipment acquired through finance lease	\$ -0-	\$ 140,250

See accompanying notes to consolidated financial statements.

# GOODWILL OF CENTRAL AND SOUTHERN INDIANA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 30, 2023 AND DECEMBER 31, 2022

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## 1. NATURE OF BUSINESS

### Principles of Consolidation

These consolidated financial statements include the accounts of Goodwill of Central and Southern Indiana, Inc. and its subsidiary companies. The term "Goodwill" used herein means Goodwill of Central and Southern Indiana, Inc. and its subsidiaries, unless otherwise indicated by the context. All material inter-company accounts and transactions have been eliminated.

### Description of Organization

Goodwill of Central and Southern Indiana, Inc. ("GCSI") and its subsidiaries, GW Commercial Services, Inc. ("GWCS") and Goodwill Education Initiatives, Inc. ("GEI") (collectively referred to as "Goodwill") are Indiana non-profit organizations that offer employment, education, health, and related services to disadvantaged adults and young people throughout central and southern Indiana. Goodwill defines disadvantaged individuals as those with a barrier to employment such as a disability, a criminal history, and/or a low education level (less than a high school diploma).

GCSI created a wholly-owned, single-purpose limited liability company, Goodwill Riverview Partners, LLC (GRP), in 2017 to participate in a workforce housing joint venture project. (See Note 18).

GCSI created a wholly-owned subsidiary, Goodwill de Puerto Rico, Inc. (GW Puerto Rico), in 2023 which will include retail stores and a warehouse outlet center. The activity related to GW Puerto Rico was not material to the 2023 consolidated financial statements.

GCSI's retail operation collects donations of used clothing (Textile) and household items (Wares) and sells them through a network of 71 thrift stores and four warehouse outlet centers. Excess and unsalable donated items are sold through salvage and recycling channels (Salvage). Unique items, jewelry and books (E-commerce) are often sold through e-commerce channels. The retail operation also accepts and sells donated automobiles, using a third party for marketing, vehicle towing, and auction services. The retail operation employs nearly 3,500 individuals, over 66% of whom have barriers to employment. These operations generate revenue and cash flow that fund a large portion of GCSI's other mission-related operations and general and administrative expenses.

GWCS is operated under common management with GCSI and provides rehabilitative training and jobs for people who have significant disabilities, primarily through service contracts with various federal governmental entities pursuant to AbilityOne (formerly known as the Javits-Wagner-O'Day Act of 1971). AbilityOne requires certain federal governmental entities to purchase selected products and services, via such contracts, from non-profit agencies employing blind or significantly disabled individuals. GCSI operates nine AbilityOne contracts at government sites in Indiana and employs approximately 143 people with significant disabilities. GCSI's Commercial Services operation provides a variety of outsource packaging, assembly and fulfillment services to external customers, employing over 300 people with disabilities and other barriers.

**GOODWILL OF CENTRAL AND SOUTHERN INDIANA, INC.  
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 30, 2023 AND DECEMBER 31, 2022

GCSI's Mission Advancement ("MA") operation provides case management, counseling, training, education, job coaching, job placement, and related supportive services, for disabled, disadvantaged, unemployed, and under-employed individuals who wish to find and retain employment, and increase their economic self-sufficiency. MA also manages programs that provide holistic whole-family services to Goodwill's low-wage workers, program participants, and students and their families. The GWCS and MA segments of GCSI are funded by a combination of contracts with external customers, service contracts with federal and state governmental entities, United Way grants, private grants, gifts from individuals and foundations, and subsidies from GCSI's retail operation.

GEI provides educational opportunities designed to enable young people and adults to prepare for more productive lives. GEI operates 17 public charter high schools in Indiana under the provisions of the Indiana Charter School laws and the chartering authorities of the Mayor of Indianapolis and the Indiana Charter School Board. The following table provides more information regarding GEI's charter schools.

<b>School Name</b>	<b>School Location</b>	<b>Chartering Authority</b>	<b>Number of Years in Operation</b>	<b>Student Enrollment at December 30, 2023</b>
Indianapolis Metropolitan High School	Indianapolis, IN (at GCSI headquarters facility)	Mayor of Indianapolis	20	250
The Excel Center for Adult Learners	Four locations in Indianapolis, IN, including one at GCSI headquarters facility	Mayor of Indianapolis	13	1,243
The Excel Center - Anderson	Anderson, IN	Indiana Charter School Board	12	308
The Excel Center - Kokomo	Kokomo, IN	Indiana Charter School Board	11	374
The Excel Center - Lafayette	Lafayette, IN	Indiana Charter School Board	11	358
The Excel Center - Richmond	Richmond, IN	Indiana Charter School Board	11	202
The Excel Center - West	Indianapolis, IN	Mayor of Indianapolis	11	346
The Excel Center - University Heights	Indianapolis, IN	Mayor of Indianapolis	9	345
The Excel Center - Noblesville	Noblesville, IN	Indiana Charter School Board	9	204
The Excel Center - Shelbyville	Shelbyville, IN	Indiana Charter School Board	8	157
The Excel Center - Clarksville	Clarksville, IN	Indiana Charter School Board	7	342
The Excel Center - Muncie	Muncie, IN	Indiana Charter School Board	6	275
The Excel Center - Bloomington	Bloomington, IN	Indiana Charter School Board	5	114
The Excel Center - Southeast	Indianapolis, IN	Indiana Charter School Board	1	105
Total				4,623

# GOODWILL OF CENTRAL AND SOUTHERN INDIANA, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 30, 2023 AND DECEMBER 31, 2022

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The schools' contract with GCSI for certain business support services including marketing, human resources, finance, technology and facilities management. The schools receive the majority of their funding from the Indiana Department of Education. Their revenues are supplemented with funds from the United States Department of Education, private grants, gifts and support from GCSI. Indianapolis Metropolitan High School (the Met) primarily serves at-risk students in grades 9-12. The Excel Centers primarily serve adults who previously dropped out of high school and are seeking their high school diplomas rather than a General Education Diploma.

Goodwill is a member of Goodwill Industries International, Inc. (GII). Goodwill pays GII annual dues in exchange for the Goodwill brand name, national advocacy, and other support. During 2023 and 2022, Goodwill paid dues of approximately \$232,000 and \$187,000, respectively, to GII. Goodwill operates autonomously and reports its financial results independent of GII or any other GII-affiliated entity. Goodwill operates in a geographic territory assigned to it by GII encompassing 40 counties in central and southern Indiana.

Goodwill is a member agency of United Way of Central Indiana, Inc. and Metro United Way (Louisville, KY). During 2023 and 2022, Goodwill received United Way grants of approximately \$809,000 and \$769,000, respectively, included within United Way support in the consolidated statements of activities and changes in net assets.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### Basis of Accounting and Use of Estimates

The accompanying consolidated financial statements were prepared on the accrual basis of accounting. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of support, revenues and expenses during the reporting period. Actual results could differ from those estimates. For annual financial reporting purposes, Goodwill utilizes a 52-week period ending on the Saturday closest to December 31.

### Cash and Cash Equivalents

Goodwill considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Goodwill maintains cash balances at commercial banks. Accounts at the banks are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 30, 2023 and December 31, 2022, Goodwill maintained cash and cash equivalents in excess of the FDIC coverage limits by approximately \$28,000,000 and \$22,000,000, respectively.

# GOODWILL OF CENTRAL AND SOUTHERN INDIANA, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 30, 2023 AND DECEMBER 31, 2022

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### Trade Accounts Receivable (Contract Receivable)

Trade accounts receivable are unsecured customer obligations generally requiring payment within 30 days of the invoice date. Accounts receivable are stated at the amount billed to the customer or at amounts determined by public statute. Generally, customer account balances with invoices dated over 30 days are considered delinquent. Management individually reviews all accounts receivable balances that are past due and based on an assessment of current creditworthiness and other factors, estimates the portion, if any, of the balance that will not be collected. Contract receivables are written off when they are determined to be uncollectible. The allowance for credit losses is estimated based on expected credit losses considering Goodwill's historical losses, the existing economic conditions, and the financial sustainability of its customers. Goodwill recorded an allowance for credit losses of approximately \$204,000 and \$322,000 at December 30, 2023 and December 31, 2022, respectively.

### Inventories

The retail store and e-commerce operations of Goodwill sell donated inventories. These items have little or no economic value to Goodwill when first received and therefore are not recorded at the time of donation. Donated goods are sold through retail store, e-commerce, salvage and recycling sales channels. Costs included in donated goods inventory include those incurred to collect, transport and process donated items to place them for sale in Goodwill's retail stores, e-commerce operations, or to salvage and recycling dealers. Retail store, e-commerce, recycling and salvage sales are reflected in the consolidated statements of activities and changes in net assets as sales - donated goods.

Goodwill's commercial services operation has purchased inventories generally classified as raw material, work in process and finished goods. These inventories are valued in the consolidated financial statements at standard cost. Cost of sales is included in retail and commercial services expenses in the consolidated statements of functional expenses.

### Property and Equipment and Right-of Use Assets

Property and equipment are recorded at historical cost, or, if donated, at fair value. Depreciation is computed on the straight-line method over estimated useful lives ranging from 10 to 30 years for buildings and building improvements, and from 3 to 10 years for technology assets, equipment and other capital assets. Leasehold improvements are depreciated over a period of time not exceeding the life of the corresponding finance or operating lease. Material property additions and improvements over \$5,000 are capitalized and expenditures for normal maintenance and repairs are expensed as incurred. Goodwill accumulates certain costs for capital projects until the projects are placed in service, at which time they become depreciable fixed assets. Right-of use assets are recognized on the lease commencement date in an amount that represents the present value of future lease payments over the lease term.

# **GOODWILL OF CENTRAL AND SOUTHERN INDIANA, INC. AND SUBSIDIARIES**

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 30, 2023 AND DECEMBER 31, 2022

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### Investments and Investment Income

Accounting standards require that investments in equity securities with readily determinable fair values and all investment in debt securities be measured at fair value in the consolidated statements of financial position. Interest, dividends, and realized and unrealized gains and losses, net of related expenses, are reflected in the consolidated statements of activities and changes in net assets, as a component of investment return, net.

### Investment in Affiliate

Investments in affiliate are recorded on the equity method of accounting. The investment approximated \$1,407,000 and \$1,353,000 as of December 30, 2023 and December 31, 2022, respectively.

### Net Assets

Goodwill's consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America for not-for-profit organizations. Accordingly, Goodwill's accounts are stated on the accrual basis of accounting, whereby revenues are recorded as earned and expenses are recorded as incurred. The accompanying consolidated financial statements have been prepared with a focus on the entity as a whole. Net assets, support, revenues, gains, and losses are classified based on the existence or absence of donor restrictions. Accordingly, the net assets of Goodwill are classified and reported as follows:

- Without Donor Restriction - These include revenues and expenses from the regular operations of Goodwill, which are at the discretion of management and the Board of Directors.

Goodwill had no net assets with donor restrictions as of December 30, 2023 and December 31, 2022, respectively.

### Income Taxes

GCSI, GWCS and GEI are not-for-profit corporations, as described under Code Section 501(c)(3) of the Internal Revenue Code (IRC). As such, GCSI, GWCS and GEI are generally exempt from income taxes. GCSI, GWCS and GEI are required to file Federal Form 990-Return of Organization Exempt from Income Tax, which is an informational return only.

GRP is organized as an LLC; whereby, net taxable income is taxed directly to GCSI and not GRP. Since GCSI is the sole member of GRP, GRP is treated as a disregarded entity under the appropriate code of the IRC. As such, the financial activity of GRP is included in GCSI's Federal Form 990 Return of Organization Exempt from Income Tax.

# GOODWILL OF CENTRAL AND SOUTHERN INDIANA, INC. AND SUBSIDIARIES

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Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by Goodwill and recognize a tax liability if Goodwill has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by Goodwill and has concluded that as of December 30, 2023 and December 31, 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying consolidated financial statements. Goodwill is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Goodwill has filed its federal and state income tax returns (Federal Forms 990 and State Forms NP-20) for periods through December 31, 2022. These income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions). As of the date the consolidated financial statements were available to be issued, there were no audits for any tax periods in progress.

### Sales - Donated Goods and Commercial Services Revenue

Sales of donated goods and commercial services are considered revenues from contracts with customers in which revenue is recorded when performance obligations are satisfied. Sales of donated goods revenue is recognized at the point of sale. Commercial services revenue is recognized over time on a monthly basis for services performed under contracts, and on a daily basis for shipment of goods to customers of Goodwill's packaging and assembly operations.

The transaction price in the contract is based upon the stand-alone selling prices of the promised goods or services. Goodwill does not enter into contracts in which the period between transfer of goods or services to the customer and payment by the customer is greater than one year. Therefore, the consideration amounts are not adjusted for the time value of money. Goodwill recognizes any incremental costs to obtain a contract as an expense when incurred as these costs are not material and would be amortized over a period less than one year if recognized.

AbilityOne contracts are typical recurring service contracts based on input methods such as labor hours expended and time cleaning square footage of government centers. Packaging/assembly contracts transfer based on output methods of units produced.

All other revenue reported with the consolidated statements of activities and changes in net assets are considered non-exchange transactions, thus, revenue is recorded based on any restrictions on the usage of such revenue. There are no such conditions on this revenue recorded within revenue, gains and support within the consolidated statements of activities and changes in net assets. Amounts received in non-exchange transactions prior to incurring compliance are reported as refundable advances in the consolidated statements of financial position. Goodwill recognized refundable advances of approximately \$2,000,000 and \$-0- as of December 30, 2023 and December 31, 2022, respectively.



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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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## Contributions

Goodwill recognizes contributions when cash or unconditional promises to give are received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

## Expense Allocation

Expenses have been classified as retail and commercial services, mission advancement, education services, general and administrative, and fundraising. Goodwill uses actual direct expenditures and cost allocations, based on estimates of time and usage by Goodwill personnel and programs, which primarily include salaries, wages, and employee benefits, to classify its expenses. The expenses that are allocated include depreciation and interest, which are allocated based on the ratio of direct costs charged to the category to total direct costs. Although the methods used were appropriate, alternative methods may provide different results.

## Advertising

Advertising and printing expenses totaled approximately \$2,837,000 and \$2,512,000 during 2023 and 2022, respectively. Goodwill's policy is to record advertising expenditures in the period in which they are incurred.

## Reclassifications

Certain amounts in the prior year consolidated financial statements have been reclassified to conform with current year presentation. The reclassifications had no effect on the previously reported net assets or changes in net assets.

## Going Concern Evaluation

Management evaluates whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern for a period of one year from the date the consolidated financial statements were available to be issued.

# GOODWILL OF CENTRAL AND SOUTHERN INDIANA, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 30, 2023 AND DECEMBER 31, 2022

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### Subsequent Events

Goodwill has evaluated events or transactions occurring subsequent to the consolidated financial statement date for recognition and disclosure in the accompanying consolidated financial statements through the date the consolidated financial statements were available to be issued, which is March 12, 2024.

### **3. CHANGE IN ACCOUNTING PRINCIPLE**

On January 1, 2023, Goodwill adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326)*, utilizing the modified retrospective approach. This ASU replaces the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to estimate credit losses. The new guidance requires financial assets measured at amortized cost to be presented at the net amount expected to be collected. Goodwill applied the guidance to financial assets measured at amortized cost (primarily trade accounts receivable and other receivables) that existed as of January 1, 2023 (the date of initial application). The adoption of this ASU did not have a material impact on Goodwill's financial statements.

### **4. CONTRIBUTED NONFINANCIAL ASSETS**

Gifts-in-kind (GIK) included in inventory – donated goods in the consolidated statements of financial position as of December 30, 2023 and December 31, 2022 is comprised of the following:

	2023	2022
Textiles	\$ 2,249,577	\$ 2,072,207
Wares	601,780	937,137
E-commerce	1,669,268	877,937
Salvage	1,780,591	2,243,607
	<u>\$ 6,301,216</u>	<u>\$ 6,130,888</u>

Goodwill receives a significant amount of its inventory as contributed nonfinancial assets, which it monetizes through sales in retail stores, e-commerce platforms, and salvage programs. These contributed nonfinancial assets are valued at their fair market value identified at their sale price through either retail stores, e-commerce platform, or salvage market price. Items not sold during the fiscal year are recorded to inventory and a description of their valuation process can be found in the inventories policy in Note 2. There were no donor-imposed restrictions associated with contributed non-financial assets as of December 30, 2023 and December 31, 2022.

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**5. LIQUIDITY AND AVAILABILITY OF RESOURCES**

Goodwill regularly monitors liquidity required to meet their operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. Goodwill has various sources of liquidity at their disposal, including cash and cash equivalents, investments, and operating lines of credit. For purposes of analyzing resources available to meet general expenditures over the next 12 months, Goodwill considers all expenditures related to its ongoing activities, capital expenditures, and other commitments to be general expenditures. Goodwill operates with a balanced budget and anticipates generating sufficient revenue to cover general expenditures. Goodwill's retail operations provide daily cash flow, which partially offsets the variability of cash flows from other sources, such as trade accounts receivable, related party and other receivables, and fundraising efforts. Goodwill assesses the risk that certain events, like severe weather, could have a temporary adverse impact on cash flows. As a result, Goodwill maintains a fixed-income investment portfolio, and a bank line of credit, that together will generally provide 25-30 days of operating expenses. GEI receives more than 90% of its revenue from state and Federal government sources. Cash distributions from government sources are generally received monthly throughout the year. GEI's cash receipts are highly predictable and its expenditures closely align with receipts. Additionally, GEI's charter authorizers require GEI to maintain a cash balance equal to at least 45 days of operating expenses.

Goodwill's financial assets and liquidity resources available within one year of the consolidated statements of financial position date for general expenditure as of December 30, 2023 and December 31, 2022 are as follows (excluding a line of credit restricted for capital expenditures):

	2023	2022
Financial assets		
Cash and cash equivalents	\$ 28,774,832	\$ 22,600,594
Trade accounts receivable, net	6,202,526	4,494,564
Related party and other receivables	3,921,804	2,184,981
Financial assets available in one year	38,899,162	29,280,139
Liquidity resources		
Line of credit (\$-0- in use as of December 30, 2023 and December 31, 2022, respectively)	5,000,000	5,000,000
Total financial assets and liquidity resources	\$ 43,899,162	\$ 34,280,139

In addition, Goodwill has approximately \$10,300,000 and \$9,600,000 of investments as of December 30, 2023 and December 31, 2022. While Goodwill does not intend to spend these funds within the next year, the amount could be made available, if necessary.

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**6. TRADE ACCOUNTS RECEIVABLE**

Trade accounts receivable (contracts receivable) as of December 30, 2023 and December 31, 2022 are summarized as follows:

	2023	2022
Trade accounts receivable	\$ 6,406,365	\$ 4,816,431
Less: allowance for credit losses	(203,839)	(321,867)
	<u>\$ 6,202,526</u>	<u>\$ 4,494,564</u>

Trade accounts receivable (contracts receivable) as of January 2, 2022 approximated \$4,076,000.

The following table presents an analysis of the allowance for credit losses for the years ended December 30, 2023 and December 31, 2022:

	Balance at Beginning of Period	Charges (credits) to Expense	Deductions*	Balance at End of Period
Allowance for credit losses:				
December 31, 2022	\$ 156,387	\$ 368,313	\$ (202,833)	\$ 321,867
December 30, 2023	\$ 321,867	\$ (177,296)	\$ 59,268	\$ 203,839

\*Uncollectible accounts written off net of recoveries.

**7. INVENTORIES**

Inventories as of December 30, 2023 and December 31, 2022 are summarized as follows:

	2023	2022
Donated goods	\$ 6,301,216	\$ 6,130,888
Purchased goods	1,003,563	1,290,685
	<u>\$ 7,304,779</u>	<u>\$ 7,421,573</u>

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**8. INVESTMENTS**

Investments, at fair value, consist of the following as of December 30, 2023 and December 31, 2022:

	<u>2023</u>	<u>2022</u>
Mutual funds - fixed income	\$ 4,420,457	\$ 4,264,269
Mutual funds - short-term	5,904,346	5,305,268
	<u>\$ 10,324,803</u>	<u>\$ 9,569,537</u>

Investment return, net of related expenses, for the years ended December 30, 2023 and December 31, 2022 included in the consolidated statements of activities and changes in net assets is set forth in the following table:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 1,038,374	\$ 324,277
Realized loss on investments	(48,799)	(69,611)
Unrealized gain (loss) on investments	515,657	(975,857)
	<u>\$ 1,505,232</u>	<u>\$ (721,191)</u>

**9. FAIR VALUE MEASUREMENTS**

The framework for measuring fair value provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Goodwill has the ability to access.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 30, 2023 and December 31, 2022.

- *Mutual funds*: Valued at the daily closing price as reported by the fund. Mutual funds held by Goodwill are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by Goodwill are deemed to be actively traded.
- *Interest rate swap agreements*: Valued using pricing models that are derived principally from observable market data based on discounted cash flows and interest rate yield curves at quoted intervals for the full term of the swaps.

The following table sets forth by level, within the hierarchy, Goodwill's assets measured at fair value on a recurring basis as of December 30, 2023 and December 31, 2022:

		December 30, 2023			
		Total	Level 1	Level 2	Level 3
Investments					
Mutual funds					
Fixed income		\$ 4,420,457	\$ 4,420,457	\$ -0-	\$ -0-
Short-term		5,904,346	5,904,346	-0-	-0-
		<u>\$ 10,324,803</u>	<u>\$ 10,324,803</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Other assets					
Interest rate swap agreements		<u>\$ 2,323,017</u>	<u>\$ -0-</u>	<u>\$ 2,323,017</u>	<u>\$ -0-</u>
		December 31, 2022			
		Total	Level 1	Level 2	Level 3
Investments					
Mutual funds					
Fixed income		\$ 4,264,269	\$ 4,264,269	\$ -0-	\$ -0-
Short-term		5,305,268	5,305,268	-0-	-0-
		<u>\$ 9,569,537</u>	<u>\$ 9,569,537</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Other assets					
Interest rate swap agreements		<u>\$ 3,067,116</u>	<u>\$ -0-</u>	<u>\$ 3,067,116</u>	<u>\$ -0-</u>

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**10. PROPERTY AND EQUIPMENT**

At December 30, 2023 and December 31, 2022, property and equipment consisted of the following:

	2023	2022
Land and improvements	\$ 20,839,100	\$ 20,839,100
Leasehold improvements	11,476,022	10,366,248
Buildings and improvements	97,408,708	95,978,679
Equipment and vehicles	47,831,053	48,038,116
Computers and software	4,015,920	5,945,555
Right-of use assets under finance leases	47,000	149,000
Right-of use assets under operating leases	50,965,434	54,435,447
Construction in progress	7,426,502	1,794,430
	240,009,739	237,546,575
Less accumulated depreciation	87,421,081	83,343,536
	\$ 152,588,658	\$ 154,203,039

Depreciation expense for the years ended December 30, 2023 and December 31, 2022 was approximately \$8,044,000 and \$7,988,000, respectively. There were outstanding commitments on property and equipment as of December 30, 2023 of approximately \$1,449,000 related to buildings and improvements.

**11. LINE OF CREDIT**

On November 12, 2020, Goodwill entered into a revolving line of credit note (line of credit) with a bank, in the amount of \$5,000,000. On May 8, 2023, the LIBOR rate on the line of credit for interest was replaced with the Secured Overnight Financing Rate (SOFR). The line of credit bears interest at a variable rate equal to the sum of SOFR plus a credit spread adjustment of 0.11%, plus 1.50%, (6.88% as of December 30, 2023) and matures in November 2024. As of December 30, 2023 and December 31, 2022, Goodwill had no borrowings against the line of credit.

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**12. LONG-TERM DEBT**

A summary of long-term debt as of December 30, 2023 and December 31, 2022 is as follows:

	2023	2022
Term loan, at a variable rate of Secured Overnight Financing Rate plus 2.11% (7.49% as of December 30, 2023), monthly principal and interest payments due through November 2027, secured by assets with a net book value of approximately \$16,380,000 as of December 30, 2023.	\$ 18,453,966	\$ 19,735,891
Term loan, at variable rate of Secured Overnight Financing Rate plus 2.36% (7.74% as of December 30, 2023), monthly principal and interest payments due through July 2028, secured by assets with a net book value approximately \$2,879,000 as of December 30, 2023.	1,890,000	1,998,000
Term loan, at variable rate of Secured Overnight Financing Rate plus 2.36% (7.74% as of December 30, 2023), monthly principal and interest payments due through July 2028, secured by assets with a net book value of approximately \$3,137,000 as of December 30, 2023.	1,890,000	1,998,000
Term loan, at variable rate of Secured Overnight Financing Rate plus 2.35% (7.73% as of December 30, 2023), monthly principal and interest payments due through December 2028, secured by assets with a net value of approximately \$2,791,000 as of December 30, 2023.	1,080,000	1,140,000
Term loan, at variable rate of Secured Overnight Financing Rate plus 2.35% (7.73% as of December 30, 2023), monthly principal and interest payments due through December 2028, secured by assets with a net book value of approximately \$3,366,000 as of December 30, 2023.	1,606,500	1,695,750
Note payable, monthly principal due through January 2023, paid in full during January 2023.	-0-	3,076,047
	24,920,466	29,643,688
Less unamortized debt issuance costs	64,503	70,461
Less current portion	1,683,056	4,723,217
	\$ 23,172,907	\$ 24,850,010



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On November 12, 2020, Goodwill issued a term loan with a bank, in the amount of \$22,293,270. The term loan bears interest at a variable rate equal to the sum of the Secured Overnight Financing Rate, plus two hundred and eleven basis points, or 2.11%, (7.49% as of December 30, 2023), monthly principal of \$103,576 and matures in November 2027. Goodwill also entered into an interest rate swap transaction for the term loan at a fixed rate of 2.78% during the seven-year term. The term loan is collateralized by mortgages on buildings owned by Goodwill. The net book value of the buildings was approximately \$16,380,000 as of December 30, 2023. The term loan requires Goodwill to comply with certain covenants which include certain financial requirements. As of December 30, 2023, Goodwill's management believes it is in compliance with these covenants.

In 2021, Goodwill converted a capital expenditure line of credit borrowing for retail stores into four term loans totaling \$7,305,000, each of which has a seven-year term and is secured by a mortgage on the underlying retail store. The loans bear interest at floating variable rates that ranged from 7.73% to 7.74% at December 30, 2023 with monthly principal payments ranging from \$5,000 to \$9,000. Goodwill entered into interest rate swap agreements that fix the interest rates on the loans for a term of seven years to match the duration of the loan agreements. The fixed swap rates range from 3.47% to 3.82%. The term loans require Goodwill to comply with certain covenants. As of December 30, 2023, Goodwill's management believes it is in compliance with these covenants.

In November 2021, Goodwill entered into an installment purchase contract (note payable) to acquire a retail store it had previously leased from the owner for \$3,330,000. The lease between Goodwill and the owner was terminated in exchange for the note payable. Goodwill paid off the unamortized note payable balance in January 2023. Goodwill paid no interest under terms of the note.

Maturities of long-term debt for the years succeeding December 30, 2023 are as follows:

<u>Year Ending</u>	
2024	\$ 1,683,056
2025	1,722,574
2026	1,761,799
2027	14,747,537
2028	5,005,500
	<u>\$ 24,920,466</u>

Interest expense was approximately \$793,000 and \$906,000 during 2023 and 2022, respectively.

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**13. DERIVATIVE FINANCIAL INSTRUMENTS – INTEREST RATE SWAPS**

Objectives and Strategies for Using Derivatives

Goodwill makes limited use of derivative financial instruments for the purpose of managing interest rate risk. In particular, forward interest rate swaps (which are designated as cash flow hedges) are used to manage the risk associated with interest rates on variable-rate borrowings and to lower its overall borrowing costs. At December 30, 2023 and December 31, 2022, the interest rate swap agreements had a notional amount of \$24,920,000 and \$26,568,000, respectively.

Two interest rate swap agreements effectively change Goodwill's interest rate exposure on the term loan due November 2027 to an averaged fixed interest rate of 2.91%. The financial institution pays the variable rate, 7.49% and 6.33% as of December 30, 2023 and December 31, 2022, respectively. The interest rate swaps for the term loan mature in November 2027 and December 2028.

An additional interest rate swap agreement also effectively change Goodwill's interest rate exposure on the two term loans due in 2028 to a fixed interest rate of 3.47%. The financial institution pays the variable rates, ranging from 7.73% to 7.74% as of December 30, 2023 and ranging from 6.16% to 6.50% as of December 31, 2022. The interest rate swap for the term loans matures in July 2028. Goodwill is exposed to credit loss in the event of nonperformance by the other parties to the interest rate swap agreements. However, Goodwill does not anticipate nonperformance by counterparties.

The derivatives are not designated as a hedging instrument and are marked-to-market on the consolidated statements of financial position at fair value. Any related gain or loss is included in the consolidated statements of activities and changes in net assets in other changes in net assets without restrictions as a component of gain (loss) on interest rate swaps. During 2023, Goodwill recognized an unrealized loss on interest rate swaps of approximately \$744,000. During 2022, Goodwill recognized an unrealized gain on interest rate swaps of approximately \$2,676,000. Cash flows from the interest rate swaps are classified as an operating activity within the consolidated statements of cash flows.

As of December 30, 2023 and December 31, 2022, the fair value of the interest rate swaps recorded in the consolidated statements of financial position was an asset of approximately \$2,323,000 and \$3,067,000, respectively.

Additional information regarding fair value measurements of the interest rate swap agreements is disclosed in Note 9.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 30, 2023 AND DECEMBER 31, 2022

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### **14. RETIREMENT PLAN**

Goodwill maintains a discretionary thrift plan which allows eligible employees to contribute pre-tax gross income, subject to certain IRS limitations. Goodwill matches 100% of eligible employees' pre-tax contributions up to 6% of eligible income. Goodwill may also make additional discretionary contributions to the plan. Employer matching contributions vest immediately, while employer discretionary contributions vest after three years or in the event of death or disability. Goodwill's expense relating to contributions to the thrift plan for 2023 and 2022 was approximately \$3,388,000 and \$2,368,000, respectively.

### **15. WORKER'S COMPENSATION**

Goodwill maintains a high-deductible worker's compensation insurance policy, under which Goodwill pays the first \$100,000 of each claim. Goodwill's insurer pays the remainder of each claim that exceeds \$100,000. Goodwill maintains an estimated liability for open claims based on the insurer's claims information. At December 30, 2023 and December 31, 2022, the liabilities for worker's compensation claims were approximately \$131,000 and \$278,000, respectively, which are included in accrued salaries, wages and other liabilities on the consolidated statements of financial position. Goodwill incurred approximately \$613,000 and \$827,000 in 2023 and 2022, respectively, for worker's compensation insurance expense and administration fees, included within benefits within the consolidated statements of functional expenses. Goodwill maintains a direct pay letter of credit with a commercial bank as credit security for the high deductible worker's compensation policy. The letter of credit amount was \$500,000 in 2023 and 2022. Goodwill pays 1.25% annually for the letter of credit.

### **16. SELF-FUNDED HEALTH INSURANCE PLAN**

Goodwill maintains a self-funded health insurance plan. A third-party administrator has been retained to process all benefit claims. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of loss can be reasonable estimated. These losses include an estimate of claims that have been incurred but not reported. Under a stop loss agreement, Goodwill is generally responsible for the funding of all claims and related administrative costs up to \$500,000 per individual per policy year for 2023 and 2022. There is no aggregate limit. Total health insurance expense was approximately \$8,152,000 and \$6,988,000 for 2023 and 2022, respectively. At December 30, 2023 and December 31, 2022, the estimated liability for accrued claims was approximately \$1,004,000 and \$1,058,000, respectively.

### **17. LEASES**

Goodwill recognizes right-of-use (ROU) assets and lease liabilities for leases with terms greater than 12 months or leases that contain a purchase option that is reasonably certain to be exercised. Leases are classified as either finance or operating leases. This classification dictates whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease.

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**GOODWILL OF CENTRAL AND SOUTHERN INDIANA, INC.  
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 30, 2023 AND DECEMBER 31, 2022

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Goodwill has operating leases for retail stores, buildings used in operations, and equipment. Goodwill has finance leases for various equipment. Leasing arrangements required fixed payments and include an amount that is probable will be owed under residual value guarantees, if applicable. Lease payments also include payments related to purchase or termination options when the lessee is reasonably certain to exercise the option or is reasonably certain not to exercise the option, respectively. Goodwill's lease agreements do not contain any material restrictive covenants. The leases have remaining terms of 1 to 13 years.

GEI leases two of its locations from GCSI. GEI also leases other locations and equipment from other third parties. The effects of the leases between GEI and GCSI have been eliminated in consolidation which totaled approximately \$433,000 and \$250,000 for 2023 and 2022, respectively.

Goodwill's ROU assets and lease liabilities are recognized on the lease commencement date in an amount that represents the present value of future lease payments over the lease term. Goodwill utilizes its collateralized incremental borrowing rate commensurate to the lease term as the discount rate for its leases unless Goodwill can specifically determine the lessor's implicit rate. Certain lease contracts contain non-lease components such as maintenance and utilities. Goodwill has made a policy election to not separate the lease and non-lease components, and thus recognize a single lease component for all of its right-of-use assets and lease liabilities. The operating lease ROU asset also includes any lease payments made and excludes lease incentives, if any.

Short-term leases (leases with an initial term of 12 months or less or leases that are cancelable by the lessee and lessor without significant penalties) are not capitalized but are expensed on a straight-line basis over the lease term. There were no significant short-term leases during 2023 and 2022.

In evaluating contracts to determine if they qualify as a lease, Goodwill considers factors such as if it has obtained substantially all of the rights to the underlying asset through exclusivity, if Goodwill can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. Furthermore, Goodwill assesses whether it is reasonably certain to exercise options to extend or terminate a lease considering all relevant factors that create economic incentive to exercise such options, including asset, contract, market, and entity-based factors. These evaluations may require significant judgment.

The components of Goodwill's lease cost for the years ended December 30, 2023 and December 31, 2022 is as follows:

	2023	2022
Finance lease cost		
Amortization expense	\$ 101,686	\$ 153,614
Interest on lease liabilities	4,067	6,145
Total finance lease cost	\$ 105,753	\$ 159,759
Operating lease cost	\$ 9,896,279	\$ 11,996,193

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**GOODWILL OF CENTRAL AND SOUTHERN INDIANA, INC.  
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 30, 2023 AND DECEMBER 31, 2022

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Goodwill's right-of-use assets and lease liabilities as of and for the years ended December 30, 2023 and December 31, 2022 is as follows:

	2023	2022
<b>Right-of-use assets, net</b>		
Finance lease assets	\$ 47,000	\$ 149,000
Operating lease assets	50,965,434	54,435,447
Total right-of-use assets, net	\$ 51,012,434	\$ 54,584,447
	2023	2022
<b>Lease liabilities</b>		
Finance lease liabilities, current	\$ 16,018	\$ 78,636
Finance lease liabilities, noncurrent	31,308	70,376
Total finance lease liabilities	\$ 47,326	\$ 149,012
Operating lease liabilities, current	\$ 9,413,388	\$ 9,510,112
Operating lease liabilities, noncurrent	42,736,928	46,022,203
Total operating lease liabilities	\$ 52,150,316	\$ 55,532,315

Additional information regarding cash payments under Goodwill's operating leases and financing leases during 2023 and 2022, as well as the inputs used in determining the ROU assets and liabilities at December 30, 2023 and 2022, is as follows:

	2023	2022
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 9,704,393	\$ 11,858,621
Operating cash flows from finance leases	\$ 4,067	\$ 6,145
Finance cash flows from finance leases	\$ 101,686	\$ 153,614
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 6,227,463	\$ 11,843,160
Right-of-use assets obtained in exchange for new finance lease liabilities	\$ -0-	\$ 140,250
Weighted-average remaining lease term - operating leases	5.93	6.89
Weighted average remaining lease term - finance leases	2.83	2.73
Weighted average discount rate - operating leases	4%	4%
Weighted average discount rate - finance leases	4%	4%

**GOODWILL OF CENTRAL AND SOUTHERN INDIANA, INC.  
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 30, 2023 AND DECEMBER 31, 2022

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Future payments of lease liabilities are as follows:

Year Ending	Finance Leases	Operating Leases
2024	\$ 16,658	\$ 9,884,837
2025	16,960	9,757,313
2026	15,532	9,106,437
2027	-0-	7,063,978
2028	-0-	5,822,307
Thereafter	-0-	12,601,455
Total lease payments	49,150	54,236,327
Less: Imputed interest	(1,824)	(2,086,011)
	\$ 47,326	\$ 52,150,316

**18. RELATED PARTY TRANSACTIONS**

Goodwill Foundation of Central and Southern Indiana, Inc. (the "Foundation") has common management with Goodwill and provides grant support for Goodwill and GEI. The accompanying consolidated financial statements of Goodwill have not been consolidated with those of the Foundation due to less than a majority voting interest and lack of controlling financial interest between the two organizations.

At December 30, 2023 and December 31, 2022, the Foundation had net assets of approximately \$68,501,000 and \$62,223,000, respectively, comprised primarily of equity mutual fund investments and alternative investments consisting of private equity and natural resource funds. For 2023 and 2022, the Foundation paid grants to Goodwill of approximately \$6,500,000 and \$5,859,000, respectively, which is included in Foundation grants and contributions within the consolidated statements of activities and changes in net assets. The Foundation also reimburses Goodwill for certain fundraising expenses and pays Goodwill a management fee. This reimbursement and management fee totaled approximately \$1,230,000 and \$1,080,000 for 2023 and 2022, respectively, and is included within foundation management fees within other changes in net assets without restrictions within the consolidated statements of activities and changes in net assets. Included in the consolidated statements of financial position, within related party receivables, at December 30, 2023 and December 31, 2022 is approximately \$938,000 and \$1,114,000, respectively, due from the Foundation for grants receivable from the Foundation, reimbursement of fundraising expenses incurred by Goodwill, and expenses of the Foundation paid by Goodwill.

## **GOODWILL OF CENTRAL AND SOUTHERN INDIANA, INC. AND SUBSIDIARIES**

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 30, 2023 AND DECEMBER 31, 2022

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In 2017, Goodwill entered into an arms-length joint venture agreement with a real estate development company (the Developer) owned by a member of Goodwill's board of directors. Goodwill and the Developer own equal shares of the joint venture, which operates a 208-unit workforce housing apartment complex (the Complex) on real estate adjacent to Goodwill's Indianapolis headquarters. Workforce housing is specifically targeted to residents earning between 61-120% of Area Median Income (as defined by the U.S. Department of Housing and Urban Development). Goodwill and the Developer previously acquired the real estate on which the Complex sits. The Complex broke ground in 2018 and was completed in 2020. Full lease-up started during 2021. The board member recused himself from all board of directors' discussions and voting related to joint venture beginning in 2017.

Goodwill and the Developer each contributed \$1,750,000 of real estate and cash as equity in the Complex. The total Complex cost was \$28,000,000. The Developer secured the remainder of the financing required for the Complex, including a bank loan of \$21,300,000, and tax-increment financing (TIF) bonds of \$4,200,000 issued through the City of Indianapolis. The Developer serves as the sole guarantor of the bank loan and TIF bonds and serves as the manager of the joint venture. The joint venture agreement has a term of 15 years, during which Goodwill and the Developer will retain equal ownership of the Complex and share equally in the net cash flows. In addition, the Complex will remain Workforce Housing for at least 15 years.

Goodwill created a wholly-owned, single-purpose limited liability company, Goodwill Riverview Partners, LLC (GRP), to participate in the joint venture. Goodwill transferred its real estate, with a fair value of \$1,250,000, to GRP in 2018. Additionally, the Foundation loaned \$501,000 to GRP. GRP transferred the real estate and cash as equity to the joint venture when the Complex financing closed in 2018. The loan from the Foundation was paid in full during 2021.

Goodwill's investment in the joint venture is reflected in the consolidated statements of financial position as a component of investment in affiliate. The loan from the Foundation was reflected as a related party payable on the consolidated statements of financial position. During 2023 and 2022, revenue from the Complex of approximately \$1,527,000 and \$1,447,000, respectively, was recognized. During 2023 and 2022, expense from the Complex of approximately \$1,373,000 and \$1,391,000, respectively, was recognized. There was no other activity in the joint venture during 2023 and 2022.

**GOODWILL OF CENTRAL AND SOUTHERN INDIANA, INC.  
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 30, 2023 AND DECEMBER 31, 2022

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**19. ENVIRONMENTAL LIABILITY**

Goodwill is part of an Indiana Department of Environmental Management (IDEM) investigation related to certain environmental claims at and near Goodwill's Indianapolis headquarters building. Goodwill has accrued approximately \$60,000 as of December 30, 2023 and December 31, 2022. The accrual is based on estimates, quotes and actual charges for mitigation efforts, ongoing monitoring and legal fees related to the IDEM investigation. Goodwill incurred approximately \$31,000 and \$14,000 of expense in 2023 and 2022, respectively, related to this matter, which is reflected as part of occupancy expenses in the consolidated statements of functional expenses. Goodwill's insurance carriers were notified of the IDEM investigation in 2015. Goodwill believes its contracts with the insurance carriers are enforceable for claims related to the IDEM investigation. However, Goodwill would be responsible for any amounts that its insurance carriers do not cover. Goodwill is currently assessing any potential receivables to be recorded for recoveries from the insurance carriers.

As of December 30, 2023 and December 31, 2022, no receivable has been recorded. Future revisions in Goodwill's estimates of these claims could materially impact its results of operations and financial position. Goodwill uses the best information available to determine the level of accrued liabilities and Goodwill believes its accruals are adequate.

**20. STATE AND LOCAL GRANT AWARDS**

*Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Government Sources*, issued by the Indiana State Board of Accounts, requires Indiana not-for-profit entities to disclose Federal, state and local awards expended during the entities' annual reporting period. As of December 30, 2023 and December 31, 2022, Goodwill expended the following state and local awards, included within mission advancement within the consolidated statements of activities and changes in net assets. Federal awards are included in the schedule of expenditures of federal awards as a supplemental schedule to the consolidated financial statements. There were no local awards during 2023 and 2022.

	2023	2022
State of Indiana		
Department of Health - Safety Pin - Nurse Family Partnership	\$ 251,151	\$ 428,317
Department of Health - State Expansion - Nurse Family Partnership	6,880,160	3,098,061
Department of Health - State Expansion - My Healthy Baby	76,243	22,822
Department of Health - Home Visiting - Nurse Family Partnership	73,764	-0-
Family and Social Services Administration - Disability Services - Vocational Rehabilitation	40,646	17,068
Total state awards	\$ 7,321,964	\$ 3,566,268



**GOODWILL OF CENTRAL AND SOUTHERN INDIANA, INC.  
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 30, 2023 AND DECEMBER 31, 2022

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**21. COMMITMENTS AND CONTINGENCIES**

Litigation

At times, Goodwill may be involved in litigation and regulatory investigations arising in the normal course of business. Management is not aware of any matters that would have a material adverse effect on Goodwill's future financial position, results from operations, and cash flows.

**SUPPLEMENTAL INFORMATION**

**GOODWILL OF CENTRAL AND SOUTHERN INDIANA, INC.  
AND SUBSIDIARIES**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing #	Grant ID #	Expenditures
Department of Labor			
Passed through Goodwill Industries International, Inc. Senior Community Service Employment Program	17.235	AD-38317-22-60-A-24	\$ 2,502,018
Passed through Indianapolis Private Industry Council, Inc. Workforce Innovation and Opportunity Act Program	17.259	S0704-YES-PY23-OSY	87,224
Department of Health and Human Services			
Passed through Indiana State Department of Health Maternal, Infant, and Early Childhood Home Visiting Program	93.870	57483	2,126,498
Department of Treasury			
Passed through Indiana State Department of Health COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	66186	43,165
Department of Agriculture			
Passed through Indiana State Department of Education Child and Adult Care Food Program	10.558	1490110	77,452
Passed through Indiana Family and Social Services Administration State Administration Matching Grants for the Supplemental Nutrition Program	10.561	72860	<u>54,980</u>
Total federal expenditures			<u>\$ 4,891,337</u>

See report of independent auditors on pages 1 through 4.  
See notes to schedule of expenditures of federal awards on page 33.

# **GOODWILL OF CENTRAL AND SOUTHERN INDIANA, INC. AND SUBSIDIARIES**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 30, 2023

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## **1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (SEFA) for the year ended December 30, 2023 includes the federal grant activity of Goodwill of Central and Southern Indiana, Inc. ("GCSI") and its subsidiaries, GW Commercial Services, Inc. ("GWCS") and Goodwill Education Initiatives, Inc. ("GEI") (collectively referred to as "Goodwill"), although GWCS does not receive or expend federal grants. The information in the SEFA is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The consolidated financial statement classifications may include other financial activity for reporting purposes. Therefore, some of the amounts presented in the SEFA may differ from amounts presented in, or used in the preparation of, the consolidated financial statements.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Goodwill has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

## **3. SUB-RECIPIENT PASS THROUGH**

Goodwill did not pass through federal awards to sub-recipients during 2023.



Blue & Co., LLC / 500 N. Meridian Street, Suite 200 / Indianapolis, IN 46204  
main 317.633.4705 fax 317.633.4889 email blue@blueandco.com

**REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Goodwill of Central and Southern Indiana, Inc. and Subsidiaries  
Indianapolis, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Goodwill of Central and Southern Indiana, Inc. and Subsidiaries (Goodwill), which comprise the consolidated statement of financial position as of December 30, 2023, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 12, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Goodwill's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Goodwill's internal control. Accordingly, we do not express an opinion on the effectiveness of Goodwill's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Goodwill's consolidated financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Board of Directors  
Goodwill of Central and Southern Indiana, Inc. and Subsidiaries  
Indianapolis, Indiana

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

#### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Goodwill's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Goodwill's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**Blue & Co., LLC**

Indianapolis, Indiana  
March 12, 2024



Blue & Co., LLC / 500 N. Meridian Street, Suite 200 / Indianapolis, IN 46204  
main 317.633.4705 fax 317.633.4889 email blue@blueandco.com

**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH  
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors  
Goodwill of Central and Southern Indiana, Inc. and Subsidiaries  
Indianapolis, Indiana

Report on Compliance for Each Major Federal Program

*Opinion on Each Major Federal Program*

We have audited Goodwill of Central and Southern Indiana, Inc. and Subsidiaries' (Goodwill) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Goodwill's major federal programs for the year ended December 30, 2023. Goodwill's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Goodwill complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 30, 2023.

*Basis for Opinion on Each Major Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Goodwill and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of Goodwill's compliance with the compliance requirements referred to above.

*Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Goodwill's federal programs.

*Auditor's Responsibilities for the Audit of Compliance*

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Goodwill's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Goodwill's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Goodwill's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Goodwill's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Goodwill's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.



Report on Internal Control Over Compliance

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies in internal control over compliance as defined above may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Blue & Co., LLC**

Indianapolis, Indiana  
March 12, 2024

**GOODWILL OF CENTRAL AND SOUTHERN INDIANA, INC.  
AND SUBSIDIARIES**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 30, 2023

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**Section I - Summary of Audit Results**

*Consolidated Financial Statements*

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	_____ yes	_____ <u>X</u> no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ yes	_____ <u>X</u> none noted
Noncompliance material to financial statements noted?	_____ yes	_____ <u>X</u> no

*Federal Awards*

Internal controls over major programs:		
Material weakness(es) identified?	_____ yes	_____ <u>X</u> no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ yes	_____ <u>X</u> none noted

Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported as defined by Uniform Guidance [2 CFR section 200.516(a)]?	_____ yes	_____ <u>X</u> no

Identification of major program:		
<u>Federal Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>	
17.235	Senior Community Service Employment Program	

Dollar threshold used to distinguish between type A and B programs:	\$750,000	
Auditee qualified as low-risk auditee?	_____ <u>X</u> yes	_____ no

**Section II - Findings Related to Financial Statements Reported in Accordance With Government Auditing Standards:**

No matter reported

**Section III - Findings and Questioned Costs Related to Federal Awards**

No matter reported

**Section IV - Summary Schedule of Prior Audit Findings**

No matter reported