

Consolidated Financial Statements and
Report of Independent Certified Public
Accountants

**Goodwill Industries of Southeastern
Wisconsin, Inc. and Affiliates**

December 31, 2024 and 2023

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors

Goodwill Industries of Southeastern Wisconsin, Inc. and Affiliates

Opinion

We have audited the consolidated financial statements of Goodwill Industries of Southeastern Wisconsin, Inc. (a Wisconsin non-stock, not-for-profit corporation) and Affiliates (the "Entity"), which comprise the consolidated statements of financial position as of December 31, 2024 and 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Entity as of December 31, 2024 and 2023, 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 of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Entity 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.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 the Entity's ability to continue as a going concern for one year after the date the consolidated financial statements are issued.

Auditor's responsibilities for the audit of the 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 US GAAS 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 a 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 US GAAS, 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 consolidated financial statements.
- 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 the Entity'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 the Entity'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.

Grant Thornton LLP

Appleton, Wisconsin
June 11, 2025

Goodwill Industries of Southeastern Wisconsin, Inc. and Affiliates

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

**December 31,
(In thousands)**

	2024	2023
ASSETS		
Current assets		
Cash and cash equivalents	\$ 59,570	\$ 68,634
Accounts receivable, net	28,792	14,001
Inventories and supplies	12,598	12,114
Prepaid expenses and other assets	<u>1,777</u>	<u>2,463</u>
Total current assets	102,737	97,212
Property, plant and equipment, net	127,977	135,028
Finance lease right-of-use assets, net	24	149
Operating lease right-of-use assets	112,706	100,214
Investments	906	712
Other long-term assets	<u>98</u>	<u>3,124</u>
Total assets	<u><u>\$ 344,448</u></u>	<u><u>\$ 336,439</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Current maturities of long-term debt	\$ 585	\$ 585
Current portion of finance lease liabilities	45	152
Current portion of operating lease liabilities	11,910	11,343
Accounts payable	16,202	16,082
Accrued liabilities	17,429	19,846
Contract liability	<u>158</u>	<u>168</u>
Total current liabilities	46,329	48,176
Long-term debt, less current maturities and unamortized bond issuance costs	7,006	7,584
Obligations under finance leases liabilities, less current portion	-	29
Obligations under operating lease liabilities, less current portion	108,154	96,137
Other long-term liabilities	<u>974</u>	<u>823</u>
Total liabilities	162,463	152,749
Net assets		
Without donor restrictions	181,472	183,331
With donor restrictions	<u>513</u>	<u>359</u>
Total net assets	<u>181,985</u>	<u>183,690</u>
Total liabilities and net assets	<u><u>\$ 344,448</u></u>	<u><u>\$ 336,439</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

Goodwill Industries of Southeastern Wisconsin, Inc. and Affiliates

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended December 31, 2024

(In thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue and support			
Retail services	\$ 204,634	\$ -	\$ 204,634
Food and administrative services	120,716	-	120,716
Participant services	20,165	-	20,165
Other revenues	302	-	302
	<hr/>	<hr/>	<hr/>
Total operating revenue	345,817	-	345,817
Contributions	1,850	604	2,454
In-kind contributions	155,550	-	155,550
Participant programs	8,513	-	8,513
Miscellaneous income	3,737	-	3,737
Net assets released from restrictions	450	(450)	-
	<hr/>	<hr/>	<hr/>
Total operating revenue and support and net assets released from restrictions	515,917	154	516,071
Operating expenses			
Program services	476,510	-	476,510
Management and general	34,359	-	34,359
Fundraising	681	-	681
	<hr/>	<hr/>	<hr/>
Total operating expenses	511,550	-	511,550
Excess of operating revenue and support and net assets released from restrictions over operating expenses	4,367	154	4,521
Non-operating activities			
Impairment of property, plant and equipment	(2,880)	-	(2,880)
Provision for credit loss on promissory note	(3,315)	-	(3,315)
Loss on disposal of property, plant and equipment	(31)	-	(31)
	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS	(1,859)	154	(1,705)
Net assets, beginning of year	<hr/> 183,331	<hr/> 359	<hr/> 183,690
Net assets, end of year	<hr/> <hr/> \$ 181,472	<hr/> <hr/> \$ 513	<hr/> <hr/> \$ 181,985

The accompanying notes are an integral part of this consolidated financial statement.

Goodwill Industries of Southeastern Wisconsin, Inc. and Affiliates

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended December 31, 2023

(In thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue and support			
Retail services	\$ 205,635	\$ -	\$ 205,635
Food and administrative services	101,899	-	101,899
Participant services	24,492	-	24,492
Other revenues	208	-	208
	<hr/>	<hr/>	<hr/>
Total operating revenue	332,234	-	332,234
Contributions	1,879	293	2,172
In-kind contributions	155,873	-	155,873
Participant programs	7,723	-	7,723
Miscellaneous income	2,917	-	2,917
Net assets released from restrictions	202	(202)	-
	<hr/>	<hr/>	<hr/>
Total operating revenue and support and net assets released from restrictions	500,828	91	500,919
Operating expenses			
Program services	458,550	-	458,550
Management and general	36,379	-	36,379
Fundraising	394	-	394
	<hr/>	<hr/>	<hr/>
Total operating expenses	495,323	-	495,323
Excess of operating revenue and support and net assets released from restrictions over operating expenses	5,505	91	5,596
Non-operating activities			
Provision for credit loss on promissory note	(3,025)	-	(3,025)
Loss on disposal of property, plant and equipment	(3)	-	(3)
	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS	2,477	91	2,568
Net assets, beginning of year	<hr/> 180,854	<hr/> 268	<hr/> 181,122
Net assets, end of year	<hr/> <hr/> \$ 183,331	<hr/> <hr/> \$ 359	<hr/> <hr/> \$ 183,690

The accompanying notes are an integral part of this consolidated financial statement.

Goodwill Industries of Southeastern Wisconsin, Inc. and Affiliates

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2024

(In thousands)

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 137,716	\$ 17,761	\$ 493	\$ 155,970
Employee benefits	21,954	2,628	53	24,635
Payroll taxes	10,992	1,274	33	12,299
 Total salaries and related expenses	 170,662	 21,663	 579	 192,904
 In-kind supplies	 155,328	 -	 -	 155,328
Supplies and other	66,603	185	9	66,797
Rent and occupancy	33,786	959	23	34,768
Professional fees and contracted services	30,632	5,265	44	35,941
Depreciation	12,110	987	3	13,100
Finance lease amortization	114	11	-	125
Advertising	144	1,658	-	1,802
Transportation	3,823	417	8	4,248
Equipment purchases, rental and maintenance	2,758	2,582	13	5,353
Interest expense	5	280	-	285
Conferences and training	460	166	2	628
Specific assistance to individuals	6	186	-	192
Bad debt expense, net	79	-	-	79
 Total expenses	 <u>\$ 476,510</u>	 <u>\$ 34,359</u>	 <u>\$ 681</u>	 <u>\$ 511,550</u>

The accompanying notes are an integral part of this consolidated financial statement.

Goodwill Industries of Southeastern Wisconsin, Inc. and Affiliates

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2023

(In thousands)

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 134,377	\$ 19,176	\$ 276	\$ 153,829
Employee benefits	22,729	2,618	21	25,368
Payroll taxes	10,265	1,280	20	11,565
Total salaries and related expenses	167,371	23,074	317	190,762
In-kind supplies	155,416	-	-	155,416
Supplies and other	55,409	156	3	55,568
Rent and occupancy	32,691	856	21	33,568
Professional fees and contracted services	27,792	6,340	38	34,170
Depreciation	11,008	579	3	11,590
Finance lease amortization	193	11	-	204
Advertising	453	1,696	-	2,149
Transportation	4,317	378	5	4,700
Equipment purchases, rental and maintenance	3,226	2,868	2	6,096
Interest expense	18	125	-	143
Conferences and training	399	296	5	700
Specific assistance to individuals	234	-	-	234
Bad debt expense, net	23	-	-	23
Total expenses	<u>\$ 458,550</u>	<u>\$ 36,379</u>	<u>\$ 394</u>	<u>\$ 495,323</u>

The accompanying notes are an integral part of this consolidated financial statement.

Goodwill Industries of Southeastern Wisconsin, Inc. and Affiliates

CONSOLIDATED STATEMENTS OF CASH FLOWS

**Years ended December 31,
(In thousands)**

	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ (1,705)	\$ 2,568
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	13,231	11,800
Impairment of property, plant and equipment	2,880	-
Realized and unrealized gain on investments	(88)	(98)
Unrealized gain on interest rate swaps	(43)	(61)
Loss on disposal of property, plant and equipment	31	3
Change in accounts receivable allowance	6	(6)
Provision for credit loss on promissory note	3,315	3,025
Changes in operating assets and liabilities:		
Accounts receivable	(14,797)	3,917
Inventories and supplies	(484)	228
Prepaid expenses and other assets	686	1,072
Accounts payable and accrued liabilities	(862)	3,986
Deferred income	(10)	(70)
Operating lease right-of-use assets and liabilities, net	109	137
Other long-term liabilities	(89)	(36)
Net cash provided by operating activities	<u>2,180</u>	<u>26,465</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment	(11,271)	(17,650)
Proceeds from sale of property, plant and equipment	860	48
Issuance of promissory notes	-	(3,756)
Purchases of investments	(112)	(83)
Net cash used in investing activities	<u>(10,523)</u>	<u>(21,441)</u>
Cash flows from financing activities:		
Repayment of long-term debt	(585)	(640)
Payments on finance lease liabilities	(136)	(230)
Net cash used in financing activities	<u>(721)</u>	<u>(870)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(9,064)</u>	<u>4,154</u>
Cash and cash equivalents, beginning of year	<u>68,634</u>	<u>64,480</u>
Cash and cash equivalents, end of year	<u><u>\$ 59,570</u></u>	<u><u>\$ 68,634</u></u>
Supplemental disclosure of cash flow information:		
Cash payments for interest	<u><u>\$ 494</u></u>	<u><u>\$ 432</u></u>
Non-cash transactions:		
Operating lease right-of-use assets acquired through operating leases	\$ 28,888	\$ 28,793
Purchase of property and equipment in accounts payable	\$ 816	\$ 2,251
Donated goods and materials contributed for resale	\$ 155,550	\$ 155,767

The accompanying notes are an integral part of these consolidated financial statements.

Goodwill Industries of Southeastern Wisconsin, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023
(In thousands)

NOTE A - ORGANIZATION

Goodwill Industries of Southeastern Wisconsin, Inc. and Affiliates (collectively, Goodwill) was formed in 1919 and is a Wisconsin non-stock, not-for-profit corporation. The mission of Goodwill is to provide training, employment and supportive services for people with disabilities or disadvantages who seek greater independence. Disabilities or disadvantages include physical or intellectual disabilities, mental health issues, skill limitations, criminal background, lack of education and job preparation, communication challenges and other socio-economic disadvantages.

Goodwill pursues its mission by employing people with disabilities and disadvantages within the organization's own operations in southeastern Wisconsin and northeastern Illinois. In addition, Goodwill provides social services, community programs, vocational training, transitional employment, employment services and supportive services for individuals who have disabilities, are disadvantaged or have other special needs, in order to enhance their employment opportunities, prevent or alleviate rehabilitation problems and facilitate their ability to live independently in the community.

Goodwill Industries of Southeastern Wisconsin, Inc. has the following affiliates and subsidiaries: Goodwill Industries of Metropolitan Chicago, Inc. is a separate, not-for-profit entity that focuses on providing mission services in the Metropolitan Chicago area. Goodwill Retail Services, Inc. is a separate, not-for-profit entity responsible for the retail stores operated by Goodwill. Goodwill Manufacturing, Inc. is a separate, not-for-profit corporation that provides laundry and recycling services. Goodwill Industries of Southeastern Wisconsin, Inc. is the sole member and manager of Goodwill TalentBridge, LLC, which is a full-service staffing and recruitment firm.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies used by Goodwill is as follows:

Financial Statement Presentation

The consolidated financial statements are prepared on the accrual basis of accounting. All significant intercompany activity has been eliminated.

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net assets and transactions as without donor restrictions or with donor restrictions, as follows:

Without Donor Restrictions

Net assets and transactions are not subject to donor-imposed stipulations.

With Donor Restrictions

Net assets and transactions are subject to donor-imposed stipulations that will be met by the actions of Goodwill and/or the passage of time. As of December 31, 2024 and 2023, Goodwill has \$513 and \$359, respectively, of net assets restricted by donors.

All contributions are considered to be available for general operating purposes unless specifically restricted by the donor. Contribution revenue is reported as an increase in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Donor-restricted contributions whose purpose has been fulfilled and/or the stipulated time period has elapsed are reported as reclassifications between net assets with donor restrictions and net assets without donor restrictions.

Goodwill Industries of Southeastern Wisconsin, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2024 and 2023
(In thousands)

Measure of Operations

The consolidated statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to Goodwill's ongoing mission operations. Non-operating activities are limited to other activities considered to be of a more unusual or nonrecurring nature, including impairment of property, plant and equipment, loss on promissory notes receivable and loss on disposal of property, plant and equipment.

Cash and Cash Equivalents

Goodwill considers all highly liquid investments with original maturities of 12 months or less to be cash equivalents.

Goodwill maintains its cash balances at one financial institution, which at times may exceed federally insured limits. Goodwill has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Investments

Goodwill reports investments at fair value, with net appreciation and depreciation reported in the consolidated statements of activities in miscellaneous income.

Goodwill's investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the values of investments, it is at least reasonably possible that changes in risk in the near term could materially affect Goodwill's investment holdings.

Investments are designated and intended for the use of satisfying the liabilities of the 457(b) plan, as described in Note J.

Promissory Notes Receivable

In 2021, Goodwill entered into a note purchase agreement with a related party which authorized the sale and issuance of up to an aggregate of \$10,000 of Promissory Notes from Goodwill for the purpose of providing capital to build and operate an ecommerce business. Interest accrues on the outstanding principal balance at the rate of 5% per annum, with interest only payments due on a monthly basis commencing January 2027. Payment of the principal balance shall be made in equal monthly installments beginning January 2030 through the maturity date of December 2032. The total amount of promissory notes receivable outstanding as of December 31, 2024 and 2023 were \$6,340 and \$6,051, respectively. The total allowance for uncollectible balances on the notes receivable as of December 31, 2024 and 2023 were \$6,340 and \$3,025, respectively. The promissory notes receivable are recorded within other long-term assets on the consolidated statements of financial position.

Accounts Receivable

The majority of Goodwill's accounts receivable is due from agencies. Credit is extended based on an evaluation of a customer's financial condition and, generally, collateral is not required. Accounts receivable are due within 10 to 30 days and are stated as amounts due from customers net of an allowance for credit losses. Accounts outstanding longer than the contractual payment terms are considered past due. Goodwill determines its allowance by considering a number of factors, including the length of time accounts receivable are past due, Goodwill's previous loss history, the customer's current ability to pay its obligation to Goodwill, and the condition of the general economy and the industry as a whole. Goodwill writes off accounts receivable when they become uncollectible, and payments subsequently received on such

Goodwill Industries of Southeastern Wisconsin, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2024 and 2023
(In thousands)

receivables are credited to the allowance for credit losses. Total allowances for uncollectible balances as of December 31, 2024 and 2023 were \$235 and \$229, respectively.

Contributions Receivable

Contributions that are expected to be collected within one year are recorded at net realizable value. Contributions that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed at the estimated risk-free interest rate applicable to the years in which the amounts promised are expected to be received. All amounts outstanding are to be collected within one year, and there was no allowance for uncollectible contributions as of December 31, 2024 and 2023. Contributions receivable of \$146 and \$115 were included in Accounts receivable, net on the consolidated statements of financial position as of December 31, 2024 and 2023, respectively.

Inventories and Supplies

Inventories primarily represent merchandise held for resale and food. These inventories are valued at the lower of cost or net realizable value using the first-in, first-out method. In-kind contributions of merchandise inventory held for resale are recorded at estimated fair market value based on retail sales prices.

Property, Plant and Equipment

Purchases of property, plant and equipment are recorded at cost. Donated assets are capitalized at estimated fair value when received. Leased property and equipment is capitalized at the present value of lease payments. Goodwill capitalizes all qualifying purchases over \$5. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the assets ranging as follows: land improvements from 5 to 15 years; buildings and improvements from 3 to 30 years; and equipment and vehicles from 3 to 10 years. Leased assets are depreciated using the straight-line method over the lesser of the lease term or the estimated useful lives of the assets. Amortization of assets held under finance leases is included in depreciation expense.

In connection with the exit of the laundry business during 2024, \$962 of equipment was sold. The remaining property, plant and equipment related to the laundry business were impaired at a loss of \$2,880, which is recognized in the consolidated statements of activities during the year ended December 31, 2024.

Bond Issuance Costs

Bond issuance costs represent trust fees, legal fees and other costs associated with bond issuances, and are netted against long-term debt on the consolidated statements of financial position. These costs are amortized over the life of the bond (25 years). Amortization expense was \$6 for the years ended December 31, 2024 and 2023.

Revenue Recognition

Revenue is measured based on consideration specified in a contract with a customer. Goodwill recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer.

Contributions

Goodwill recognizes contributions in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. In accordance with

Goodwill Industries of Southeastern Wisconsin, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2024 and 2023
(In thousands)

ASU 2018-08, Goodwill evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, Goodwill applies guidance under Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers*. If the transfer of assets is determined to be a contribution, Goodwill evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before Goodwill is entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right of return.

Goodwill records contributions of cash and other assets as well as unconditional promises to give (pledges) in the period in which they are received. Pledges considered likely of collection within one year are recorded at their net realizable value. Contributions to be received after one year are discounted to present value at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue and classified in accordance with donor-imposed restrictions on the contributions. All contributions are considered available for general use unless specifically restricted by a donor. Contributions subject to donor-imposed restrictions are recorded as support with donor restrictions and are reclassified as net assets without donor restrictions when the donor-imposed restriction has been fulfilled and/or the stipulated time period has elapsed. Contributions with donor-imposed restrictions that are met in the same accounting period are recorded as income without donor restrictions. An allowance for uncollectible contributions receivable is provided based on management's judgment and consideration of such factors as prior collection history, type of contributions and nature of fundraising activity.

Conditional promises to give are not recognized until they become unconditional promises to give, that is, when the conditions on which they depend are substantially met. There were no conditional promises to give made to Goodwill during the years ended December 31, 2024 and 2023.

A portion of Goodwill's revenue is derived from federal, state and local contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when expenditures have been incurred or performance requirements have been met, in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the consolidated statements of financial position. Goodwill received cost reimbursable grants of \$989 and \$789 that have not been recognized at December 31, 2024 and 2023, respectively, because qualifying expenditures have not yet been incurred.

Contributed Nonfinancial Assets and Donations In-Kind

Throughout the year the community donates clothing and household items to advance the mission of Goodwill. These items are monetized to provide skill building for sustained employment and improved financial stability to individuals with barriers to employment. From time to time an immaterial amount of these donations may be used in operations, instead of being sold.

These donations are reflected as in-kind contribution revenue in the accompanying consolidated statements of activities. Goods and materials contributed to Goodwill for resale are recorded at estimated fair market value based on retail sales prices. In-kind contributions and grants received for goods or services are recorded at estimated fair value at the date of donation. These valuation methodologies take into account the fair value of the items in the thrift market.

Leases

Goodwill leases various operational facilities and equipment leases under non-cancelable finance and operating lease agreements. Certain leases call for escalating rental payments. At the commencement of

Goodwill Industries of Southeastern Wisconsin, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2024 and 2023
(In thousands)

a lease, Goodwill includes only the initial lease term unless the option to extend is reasonably certain. Goodwill does not record leases with a lease term of 12 months or less on its consolidated statements of financial position. Variable lease payments that do not depend on a rate of index and short-term rentals are expensed as incurred.

Goodwill has elected to account for leases that have lease payments over the term of the lease of \$5 or greater. When calculating the lease liability on a discounted basis, Goodwill applies its estimated incremental borrowing rate if an implicit rate in the lease is not readily available. Goodwill bases its incremental borrowing rate on a collateralized interest rate.

Goodwill's facility leases often contain lease and non-lease components. Goodwill has elected to account for these lease and non-lease components separately. Non-lease components for these assets are primarily comprised of maintenance costs, insurance and utilities that are passed on from the lessor in proportion to the space leased by Goodwill and are recognized in the period in which the obligation for those payments was incurred. Non-lease components are separate from lease components within Goodwill's lease agreements, such that an allocation between the components does not need to be performed. Lease cost for leases is recognized on a straight-line basis over the lease term.

In addition to rent payments, leases for retail space contain payments for real estate taxes, insurance costs, common area maintenance, and utilities that are not fixed. Goodwill accounts for these costs as variable payments and does not include such costs as a lease component. See Note H for further disclosure surrounding leases.

Cost Allocation

The financial statements report certain expense categories that are attributable to more than one support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Expenses by function have been allocated between program services, management and general, and fundraising classifications on a functional basis in the accompanying consolidated statements of functional expenses. Such expenses require allocation on a reasonable basis and include occupancy, service management, program management, depreciation, and general and administrative expenses, which are allocated on the basis of square footage occupied or used, or on the basis of the total direct cost of the benefiting program. Other expenses such as salaries and benefits, are based on time records and estimates made by management.

Advertising

Goodwill expenses the cost of advertising as incurred. Advertising expense for the years ended December 31, 2024 and 2023, was \$1,802 and \$2,149, respectively.

Income Taxes

Goodwill Industries of Southeastern Wisconsin, Inc., Goodwill Industries of Metropolitan Chicago, Inc., Goodwill Retail Services, Inc. and Goodwill Manufacturing, Inc. have received determination letters from the Internal Revenue Service ("IRS") indicating that they are exempt from federal income taxes, except for taxes pertaining to unrelated business income under section 501(c)(3) of the Internal Revenue Code.

Goodwill TalentBridge, LLC has been organized as a limited liability company and, accordingly, is not subject to federal or state income taxes. All income tax attributes of the entity are passed through to its sole member, Goodwill Industries of Southeastern Wisconsin, Inc. The entity is included in the consolidated information return filed by Goodwill Industries of Southeastern Wisconsin, Inc.

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The FASB issued guidance related to the uncertainty of income tax positions, which clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements and requires additional disclosure. Goodwill recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority. As of December 31, 2024 and 2023, Goodwill does not believe there is any uncertainty with respect to its tax positions.

Goodwill files information returns in the U.S. federal and the states of Wisconsin and Illinois jurisdictions. Tax years open under the federal statute of limitations include 2021 through 2024. Tax years open under the state of Wisconsin and state of Illinois statutes include 2020 through 2024. Goodwill had not historically filed any unrelated business income tax ("UBIT") returns but filed in 2018 for federal and the states of Wisconsin and Illinois jurisdictions. Due to tax reform legislation, the Federal and Illinois UBIT returns have been amended to obtain refunds of income tax payments made on UBIT repealed by legislation. The organization filed UBIT returns for 2019 and 2020 for Wisconsin, however, Wisconsin has since repealed similar to federal. Tax years remain open for years in which a UBIT return has not been filed.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. There were no changes to previously reported total assets, total liabilities and net assets, or change in net assets as a result of these reclassification adjustments.

Revision of previously issued financial statements

Goodwill identified an error in its previously issued consolidated financial statements related to the recording of certain amounts related to Goodwill's Health Savings and Flexible Spending plan. The impact of the error to the prior periods' consolidated financial statements was not considered to be material. In order to improve the consistency and comparability of the consolidated financial statements, Goodwill revised the prior period consolidated financial statements to include the revision discussed herein. See Note O for details of the revision.

NOTE C - INVENTORIES AND SUPPLIES

Inventories and supplies consist of the following as of December 31:

	2024	2023
Retail merchandise	\$ 11,733	\$ 11,491
Food	865	623
Inventories and supplies	<u>\$ 12,598</u>	<u>\$ 12,114</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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NOTE D - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, net, consists of the following as of December 31:

	2024	2023
Land	\$ 32,118	\$ 32,118
Land improvements	10,459	10,093
Buildings and improvements	194,159	188,813
Equipment and vehicles	81,102	82,826
Construction in process	633	150
	<hr/>	<hr/>
Total property, plant and equipment	318,471	314,000
Less: accumulated depreciation and amortization	<hr/> (190,494) <hr/>	<hr/> (178,972) <hr/>
Property, plant and equipment, net	<u>\$ 127,977</u>	<u>\$ 135,028</u>

NOTE E - LINE-OF-CREDIT AGREEMENT

Goodwill has a working capital line-of-credit agreement with a bank, secured by substantially all assets, under which it may borrow up to \$13,500 as of December 31, 2024 and 2023. The agreement expires on October 31, 2026. Borrowings under the line-of-credit agreement bear interest at a variable rate (6.49% and 6.88% as of December 31, 2024 and 2023, respectively). There was no outstanding balance as of December 31, 2024 and 2023. The line-of-credit agreement contains certain restrictive covenants which, among other things, require Goodwill to maintain certain liquidity. Goodwill was in compliance with these covenants as of December 31, 2024 and 2023.

NOTE F - LONG-TERM DEBT

Long-term debt, payable by Goodwill, consists of the following as of December 31:

	2024	2023
WHEFA Revenue Bonds, Series 2012, due in annual installments of \$585 through February 2037. The bonds bear interest, due monthly, at variable rates (5.14% and 5.49% at December 31, 2024 and 2023, respectively). Collateralized by certain buildings.	\$ 7,640	\$ 8,225
	<hr/>	<hr/>
Total debt	7,640	8,225
Less: current maturities	(585)	(585)
Less: unamortized bond issuance costs	<hr/> (49) <hr/>	<hr/> (56) <hr/>
Long-term debt, less current maturities and unamortized bond issuance costs	<u>\$ 7,006</u>	<u>\$ 7,584</u>

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During 2010, Goodwill entered into a guaranty agreement whereby provisions of the agreement provide that certain entities of the consolidated group are jointly liable for the outstanding debt of Goodwill Industries of Southeastern Wisconsin, Inc.

In an effort to reduce the risk of incurring higher interest costs in periods of rising interest rates, Goodwill is party to an interest rate swap agreement. The agreement effectively converts variable-rate debt to fixed-rate debt to the extent of the notional amount of the swap. The interest differential is reflected as an adjustment to interest expense as incurred and the fair value of the swap is reflected on the consolidated statements of financial position in other long-term liabilities. The following is a summary of Goodwill's interest rate swap at December 31:

Maturity Date	Fixed Rate	Total Interest Rate	Notional Amount	Outstanding Notional Amount	Fair Value Liability	
					2024	2023
December 1, 2029	2.95%	5.14%	\$ 11,160	\$ 7,640	\$ 68	\$ 111

The total change in the fair value of interest rate swap was recognized in interest expense as a gain of \$43 and \$61 in 2024 and 2023, respectively.

The bond payable contains certain restrictive covenants that, among other things, requires Goodwill to maintain certain liquidity. Goodwill was in compliance with these covenants as of December 31, 2024 and 2023.

Aggregate scheduled principal payments on long-term debt and amortization expense of bond issuance costs as of December 31, are as follows:

	Long-Term Debt	Bond Issuance Costs
2025	\$ 585	\$ 6
2026	585	6
2027	585	6
2028	585	6
2029	585	6
Thereafter	4,715	19
	<u>\$ 7,640</u>	<u>\$ 49</u>

Goodwill Industries of Southeastern Wisconsin, Inc. and Affiliates
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NOTE G - REVENUES

Nature of Goods and Services

The following is a description of principal activities from which Goodwill generates its revenue. The products and services, as well as the nature, timing of satisfaction of performance obligations and significant payment terms are as follows:

- I. Retail revenues - Revenue is recognized and payment is received at the point of sale;
- II. Food services - Food revenue is recognized when allowable and reimbursable expenditures are incurred and control has transferred to the customer, which is typically when the food is consumed. Payment is due monthly;
- III. Administrative services - Revenue is recognized over time as the customer simultaneously receives and consumes the benefits provided by Goodwill's performance. The different promised goods or services generally provide a series of distinct services that are substantially the same and have the same pattern of transfer to the customer. As such, revenue for these performance obligations is generally recognized as services are performed. Payment is due monthly;
- IV. Participant services - These types of contracts include laundry services, staffing and other services. Customers do not take control of goods and services under these contracts until it is completed. Revenue is recognized in the period service is provided or goods are shipped. Customers are invoiced upon the service being provided or shipment being made. Payment is typically due within 30 days of receipt of invoice; and
- V. Other revenues - Other revenues represents recycling and other services, none of which are individually significant. Revenue is recognized in the period service is provided or goods are shipped. Customers are invoiced upon the service being provided or shipment being made. Payment is typically due within 30 days of receipt of invoice.

Sales Taxes Collected and Remitted

Goodwill presents sales taxes collected from its customers and remitted to governmental agencies on a net basis (excluded from revenues) in its consolidated financial statements.

NOTE H - LEASES

The expense components of Goodwill's leases reflected on the consolidated statements of activities were as follows at December 31:

	2024	2023
Finance lease expenses:		
Amortization of right-of-use assets	\$ 124	\$ 204
Interest on lease liabilities	6	19
Total finance lease expense	130	223
Operating lease expense	15,872	15,219
Total lease expense	\$ 16,002	\$ 15,442

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Other information related to leases was as follows at December 31:

	2024	2023
Weighted-average remaining lease term (in years):		
Finance leases	1	1
Operating leases	11	10
Weighted-average discount rate:		
Finance leases	7.0%	7.2%
Operating leases	3.5%	3.4%

As of December 31, 2024, future minimum lease payments under non-cancellable leases are as follows:

	Finance Leases	Operating Leases	Total
2025	\$ 46	\$ 15,991	\$ 16,037
2026	-	14,860	14,860
2027	-	14,310	14,310
2028	-	13,189	13,189
2029	-	12,320	12,320
Thereafter	-	74,875	74,875
Total future minimum lease payments	46	145,545	145,591
Less: discount	(1)	(25,481)	(25,842)
Lease liability	\$ 45	\$ 120,064	\$ 120,109

NOTE I - SIGNIFICANT FUNDING AGENCIES AND CUSTOMERS

Goodwill has contracts with the U.S. Naval Supply Systems Command to provide food, laundry and administrative services. The contracts expire on September 30, 2028. Goodwill recognized revenue of \$120,726 and \$101,907 or 23% and 20% in 2024 and 2023, respectively, of total operating revenue and support related to this customer. This customer accounted for \$22,349 and \$7,186 or 79% and 51%, respectively, of the total accounts receivable balance as of December 31, 2024 and 2023.

Goodwill receives a substantial amount of funding from various federal and state agencies including the United States Department of Health and Human Services and the Wisconsin Department of Health and Family Services. Governmental grant awards are generally subject to renewal by grantor agencies on an annual basis.

NOTE J - EMPLOYEE BENEFIT PLANS

Goodwill has a defined contribution plan that covers substantially all of its employees with the exception of TalentBridge, paid program employees and employees whose wages are determined under the Service Contract Act of 1965 as amended. The plan covers eligible employees who have completed one year of service, as defined in the plan, and have attained the age of 21 and 1,000 hours worked. The IRS has determined that the plan is a qualified tax-exempt plan. Goodwill contributes, on a monthly basis, 5% of the first \$25 of total eligible compensation and 8% of compensation thereafter to the plan up to the IRS annual

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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compensation limit. Participant contributions are not permitted under the plan agreement. Participants become 100% vested in Goodwill's contributions after three years of vesting service, as defined in the plan. During 2024 and 2023, Goodwill's contributions, net of forfeitures, to the plan were \$5,521 and \$5,341, respectively.

Goodwill has a 403(b) retirement plan that permits employees to defer a portion of their compensation, subject to annual IRS limitations. There were no employer contributions to the 403(b) plan for the years ended December 31, 2024 and 2023.

Goodwill has a 457(b) tax-deferred compensation plan that is available to certain management employees. Participants may defer income into the plan on a pre-tax basis, subject to annual IRS limitations. An asset and a liability of \$906 and \$712 are included on Goodwill's consolidated statements of financial position as of December 31, 2024 and 2023, respectively, within investments and other long-term liabilities.

NOTE K - CONTINGENCIES

Government contracts are subject to audit and adjustment by funding agencies. If government revenue is recorded for expenditures that are subsequently disallowed, Goodwill may be required to repay the questioned costs to the funding agency. Management of Goodwill is not aware of any disallowed expenditures that would have a material adverse effect on its consolidated financial statements.

Goodwill is involved in various legal proceedings, claims and administrative actions arising in the normal course of business. In the opinion of management, Goodwill's liability, if any, under any pending litigation or administrative proceeding will not materially affect its financial condition.

NOTE L - RELATED PARTIES

Certain members of Goodwill's board of directors are employed by various companies with which Goodwill does business.

There were no revenues from companies with which certain Goodwill directors and management staff members are associated. Goodwill's purchased services and products include approximately \$723 and \$518 for 2024 and 2023, respectively, from companies with which certain Goodwill directors and management staff members are associated.

Contributions include donations received from Goodwill directors and management staff members, which totaled \$144 and \$69 for 2024 and 2023, respectively. There were no outstanding pledges from Goodwill directors and management staff members at December 31, 2024 and 2023.

NOTE M - DISCLOSURES ABOUT THE FAIR VALUE OF FINANCIAL INSTRUMENTS

The FASB accounting guidance on fair value measurement requires certain financial assets and liabilities be carried at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). Classification of the financial asset or liability within the fair value hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

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The guidance describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value. The following is a summary:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The determination of where an asset or liability falls in the fair value hierarchy requires significant judgment. Goodwill evaluates its hierarchy disclosures each year and, based on various factors, it is possible that an asset or liability may be classified differently from year to year; however, Goodwill expects that changes in classifications between different levels will be rare.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes to the valuation methodologies used at December 31, 2024 and 2023.

Bond and stock mutual funds - Valued based on quoted market prices as of the date of the consolidated statement of financial position, as determined based on the market prices for the individual investments comprising each fund.

Derivative liability (interest rate swap) - The fair value of Goodwill's interest rate swap agreement is based on estimates using standard pricing models as of the date of the consolidated statements of financial position. The fair value of the interest rate swap is based on quotes from the counterparty of this instrument and represents the estimated amount that Goodwill would expect to receive or pay to terminate the agreement.

The carrying amount of Goodwill's financial instruments, which include trade accounts receivable, trade accounts payable and accrued liabilities, approximates their fair values at December 31, 2024 and 2023, due to their short maturities. The carrying value of long-term debt, including the current portion, approximates fair value because the interest rate approximates the current market rate of interest available to Goodwill.

The following table presents information about Goodwill's assets and liabilities measured at fair value as of December 31, 2024, and indicates the fair value hierarchy of the valuation techniques utilized by Goodwill to determine such fair value.

	Level 1	Level 2	Level 3	Total
Assets				
Bond and stock mutual funds	\$ 906	\$ -	\$ -	\$ 906
Liabilities				
Derivative liability, net (interest rate swap)	-	68	-	68

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The following table presents information about Goodwill's assets and liabilities measured at fair value as of December 31, 2023, and indicates the fair value hierarchy of the valuation techniques utilized by Goodwill to determine such fair value.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Bond and stock mutual funds	\$ 712	\$ -	\$ -	\$ 712
Liabilities				
Derivative liability, net (interest rate swaps)	-	111	-	111

NOTE N - LIQUIDITY AND AVAILABILITY

To meet cash needs for general expenditures, Goodwill has net current financial assets, available within one year of the financial statement date, consisting of the following as of December 31:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 59,570	\$ 68,634
Accounts receivable, net	28,390	14,001
	<u>\$ 87,960</u>	<u>\$ 82,635</u>

Overall cash and investment amounts and performance are reviewed annually by the Audit, Risk and Compliance Committee of the Board of Directors. As more fully described in Note E, Goodwill also has availability under the line of credit of \$13,500 should an unanticipated liquidity need be identified.

Goodwill Industries of Southeastern Wisconsin, Inc. and Affiliates
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NOTE O - REVISION OF PREVIOUSLY ISSUED CONSOLIDATED FINANCIAL STATEMENTS

Goodwill identified an error in its previously issued consolidated financial statements related to the recording of certain amounts related to Goodwill's Health Savings account, as discussed in Note B. Goodwill evaluated the error in accordance with ASC 250, *Accounting Changes and Error Corrections*, and concluded it was not material to any previously reported financial statements. However, in order to improve the consistency and comparability of the consolidated financial statements, Goodwill will revise the consolidated financial statements and related disclosures to correct the errors in future financial statements. Refer to the table below for the changes to the consolidated financial statements.

	As Previously Reported	Adjustments	As Revised
Consolidated Statement of Financial Position, as of December 31, 2023:			
Net assets, beginning of year	\$ 181,652	\$ (530)	\$ 181,122
Net assets, end of year	184,420	(730)	183,690
Accrued liabilities	19,116	730	19,846
Consolidated Statement of Activities, year ended December 31, 2023:			
Program services	\$ 458,350	\$ 200	\$ 458,550
Operating expenses	495,123	200	495,323
Change in net assets	2,768	(200)	2,568

NOTE P - SUBSEQUENT EVENTS

Goodwill evaluated its December 31, 2024 consolidated financial statements for subsequent events through June 11, 2025, the date the consolidated financial statements were issued. Goodwill is not aware of any subsequent events that would require recognition or disclosure in the consolidated financial statements, except as disclosed below.

Effective May 26, 2025, the line of credit was amended to extend the expiration date to October 31, 2026.