

Consolidated Financial Statements and  
Report of Independent Certified Public  
Accountants

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

December 31, 2025 and 2024

**Contents**

	Page
Report of Independent Certified Public Accountants	3
Consolidated Financial Statements	
Consolidated statements of financial position	5
Consolidated statements of activities	6
Consolidated statements of functional expenses	8
Consolidated statements of cash flows	10
Notes to consolidated financial statements	11

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Board of Director  
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, 2025 and 2024, 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 Company as of December 31, 2025 and 2024, and the results of its operations 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 Company 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 Company's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be 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 Company'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 Company'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 3, 2026

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**December 31,  
(In thousands)**

	<b>2025</b>	<b>2024</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 72,808	\$ 59,570
Accounts receivable, net	33,332	28,792
Inventories and supplies	13,012	12,598
Prepaid expenses	2,481	1,777
Total current assets	121,633	102,737
Property, plant and equipment, net	124,081	127,977
Finance lease right-of-use assets, net	2,516	24
Operating lease right-of-use assets	103,717	112,706
Investments	1,145	906
Beneficial interest in perpetual trust	571	-
Other long-term assets	98	98
Total assets	\$ 353,761	\$ 344,448
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Current maturities of long-term debt	\$ 585	\$ 585
Current portion of finance lease liabilities	523	45
Current portion of operating lease liabilities	11,659	11,910
Accounts payable	14,188	16,202
Accrued liabilities	23,805	17,429
Grants received in advance	23	158
Total current liabilities	50,783	46,329
Long-term debt, less current maturities and unamortized bond issuance costs	6,427	7,006
Obligations under finance lease liabilities, less current portion	1,991	-
Obligations under operating lease liabilities, less current portion	99,753	108,154
Other long-term liabilities	1,206	974
Total liabilities	160,160	162,463
<b>Net assets</b>		
Without donor restrictions	192,280	181,472
With donor restrictions	1,321	513
Total net assets	193,601	181,985
Total liabilities and net assets	\$ 353,761	\$ 344,448

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, 2025**

(In thousands)

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Operating revenue and support</b>			
Retail services	\$ 224,112	\$ -	\$ 224,112
Food and administrative services	135,360	-	135,360
Participant services	16,028	-	16,028
Other revenues	291	-	291
Total operating revenue	375,791	-	375,791
Contributions	1,912	1,570	3,482
In-kind contributions	166,303	-	166,303
Participant programs	8,797	-	8,797
Miscellaneous income	3,363	-	3,363
Net assets released from restrictions	762	(762)	-
Total operating revenue and support and net assets released from restrictions	556,928	808	557,736
<b>Operating expenses</b>			
Program services	506,144	-	506,144
Management and general	39,785	-	39,785
Fundraising	663	-	663
Total operating expenses	546,592	-	546,592
Excess of operating revenue and support and net assets released from restrictions over operating expenses	10,336	808	11,144
<b>Non-operating activity</b>			
Gain on disposal of property, plant and equipment	472	-	472
<b>CHANGE IN NET ASSETS</b>	10,808	808	11,616
<b>Net assets, beginning of year</b>	181,472	513	181,985
<b>Net assets, end of year</b>	\$ 192,280	\$ 1,321	\$ 193,601

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, 2024**

(In thousands)

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Operating revenue and support</b>			
Retail services	\$ 204,634	\$ -	\$ 204,634
Food and administrative services	120,716	-	120,716
Participant services	20,165	-	20,165
Other revenues	302	-	302
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)	-
Total operating revenue and support and net assets released from restrictions	515,917	154	516,071
<b>Operating expenses</b>			
Program services	476,510	-	476,510
Management and general	34,359	-	34,359
Fundraising	681	-	681
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
<b>Non-operating activities</b>			
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)
<b>CHANGE IN NET ASSETS</b>	(1,859)	154	(1,705)
<b>Net assets, beginning of year</b>	183,331	359	183,690
<b>Net assets, end of year</b>	\$ 181,472	\$ 513	\$ 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 FUNCTIONAL EXPENSES**

**Year ended December 31, 2025**  
(In thousands)

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries	\$ 141,175	\$ 20,334	\$ 395	\$ 161,904
Employee benefits	25,440	3,376	46	28,862
Payroll taxes	11,289	1,493	33	12,815
	<hr/>	<hr/>	<hr/>	<hr/>
Total salaries and related expenses	177,904	25,203	474	203,581
In-kind supplies	165,503	-	-	165,503
Supplies and other	74,434	166	4	74,604
Rent and occupancy	35,279	960	17	36,256
Professional fees and contracted services	33,145	5,968	112	39,225
Depreciation	12,146	1,169	2	13,317
Finance lease amortization	198	7	-	205
Advertising	231	2,431	-	2,662
Transportation	3,526	411	4	3,941
Equipment purchases, rental and maintenance	2,702	2,754	15	5,471
Interest expense	1	349	-	350
Conferences and training	698	153	23	874
Specific assistance to individuals	2	214	12	228
Bad debt expense, net	375	-	-	375
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	<u>\$ 506,144</u>	<u>\$ 39,785</u>	<u>\$ 663</u>	<u>\$ 546,592</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, 2024**

**(In thousands)**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
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
	<hr/>	<hr/>	<hr/>	<hr/>
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
	<hr/>	<hr/>	<hr/>	<hr/>
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 STATEMENTS OF CASH FLOWS**

Years ended December 31,  
(In thousands)

	2025	2024
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 11,616	\$ (1,705)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	13,528	13,231
Impairment of property, plant and equipment	-	2,880
Realized and unrealized gain on investments	(140)	(88)
Unrealized gain on interest rate swaps	(6)	(43)
(Gain) loss on disposal of property, plant and equipment	(472)	31
Contribution of beneficial interest in perpetual trust	(571)	-
Provision for credit losses on accounts receivable	400	6
Provision for credit loss on promissory note	-	3,315
Changes in operating assets and liabilities:		
Accounts receivable	(4,940)	(14,797)
Inventories and supplies	(414)	(484)
Prepaid expenses	(704)	686
Accounts payable and accrued liabilities	4,831	(862)
Grants received in advance	(135)	(10)
Operating lease right-of-use assets and liabilities, net	337	109
Other long-term liabilities	238	(89)
	<u>23,568</u>	<u>2,180</u>
Net cash provided by operating activities		
<b>Cash flows from investing activities:</b>		
Purchases of property, plant and equipment	(9,876)	(11,271)
Proceeds from sale of property, plant and equipment	458	860
Proceeds from sale of investments	11	-
Purchases of investments	(110)	(112)
	<u>(9,517)</u>	<u>(10,523)</u>
Net cash used in investing activities		
<b>Cash flows from financing activities:</b>		
Repayment of long-term debt	(585)	(585)
Payments on finance lease liabilities	(228)	(136)
	<u>(813)</u>	<u>(721)</u>
Net cash used in financing activities		
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u>13,238</u>	<u>(9,064)</u>
<b>Cash and cash equivalents, beginning of year</b>	<u>59,570</u>	<u>68,634</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 72,808</u>	<u>\$ 59,570</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash payments for interest	<u>\$ 328</u>	<u>\$ 494</u>
<b>Non-cash transactions:</b>		
Operating lease right-of-use assets acquired through operating leases	\$ 3,698	\$ 28,888
Finance lease right-of-use assets acquired through finance leases	\$ 2,697	\$ -
Purchase of property and equipment included in accounts payable	\$ 347	\$ 816
Donated goods and materials contributed for resale	\$ 166,302	\$ 155,550

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, 2025 and 2024**  
**(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 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***

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Net assets without donor restrictions are not subject to donor-imposed stipulations. Goodwill's Board of Directors has the ability to designate net assets without donor restrictions to be used by management for specific future projects or activities. These designations can be modified or reviewed by the Board of Directors at any time. The Board of Directors has not designated any net assets at December 31, 2025 and 2024.

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

**December 31, 2025 and 2024**  
(In thousands)

Net assets with donor restrictions are subject to donor-imposed stipulations that will be met by the actions of Goodwill and/or the passage of time or that they be maintained in perpetuity. Net assets with donor restrictions are summarized as follows:

	2025	2024
Purpose and time:		
Workforce development and community programs	\$ 750	\$ 513
In perpetuity:		
Beneficial interest in perpetual trust	571	-
Total net assets with donor restrictions	\$ 1,321	\$ 513

***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.

***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 receivables are credited to the allowance for credit losses. The beginning and ending accounts receivable for the year ended December 31, 2025 were \$28,792 and \$33,332, respectively. The beginning and ending accounts receivable for the year ended December 31, 2024 were \$14,001 and \$28,792, respectively.

The changes in the allowance for credit losses for the years ended December 31 were as follows:

	2025	2024
Allowance for credit losses - beginning of year	\$ 235	\$ 229
Provision for expected credit losses	472	6
Write-offs	(72)	-
Allowance for credit losses - end of year	\$ 635	\$ 235

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

**December 31, 2025 and 2024**  
**(In thousands)**

***Contributions Receivable***

Contributions receivable (unconditional promises to give) that are expected to be collected within one year are recorded at net realizable value. Contributions receivable 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. 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. All amounts outstanding are expected to be collected within one year, and there was no allowance for uncollectible contributions as of December 31, 2025 and 2024. Contributions receivable of \$380 and \$146 were included in accounts receivable, net on the consolidated statements of financial position as of December 31, 2025 and 2024, 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.

***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 I.

***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.

***Impairment of Long-Lived Assets***

Goodwill reviews long-lived assets, including property and equipment and right-of-use assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the assets are less than the carrying amount of that asset.

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

**December 31, 2025 and 2024**  
**(In thousands)**

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.

There were no impairment losses recorded in 2025.

***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 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 G for further disclosure surrounding leases.

***Beneficial Interest in Perpetual Trust***

Goodwill is the beneficiary of a perpetual trust where the assets of the trust are held by a third party trustee. Contributions of perpetual trusts are recognized when Goodwill is made aware of the trust and the interest in the trust is known and estimable. The amount of the asset and contribution to be recorded is based on Goodwill's proportional interest in the trust and fair value of the trust's assets.

Contribution revenue with donor restrictions of \$571 and \$0 were recognized for the years ended December 31, 2025 and 2024, respectively. The beneficial interest in perpetual trust is recognized with donor restrictions and presented within net assets with donor restrictions on the consolidated statements of financial position.

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

**December 31, 2025 and 2024**  
**(In thousands)**

***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 accrued 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, 2025 and 2024 were \$0 and \$6,340, respectively. The total allowance for uncollectible balances on the notes receivable as of December 31, 2025 and 2024 were \$0 and \$6,340, respectively. The promissory notes receivable were recorded within other long-term assets on the consolidated statements of financial position. The promissory notes receivable was written off against the allowance for uncollectible balances during the year ended December 31, 2025.

***Contracts with Customers***

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. The following is a description of principal activities from which Goodwill generates its revenue from its contracts with customers. 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 staffing and other services. Customers do not take control of services under these contracts until they are completed. Revenue is recognized in the period service is provided or goods. Customers are invoiced upon the service being provided. Payment is typically due within 30 days of receipt of invoice; and
- V. Other operating 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.

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

**December 31, 2025 and 2024**  
**(In thousands)**

***Contributions***

Unconditional contributions are recognized when cash, securities, other assets or promises to give are received. Conditional contributions, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions upon which they depend are met.

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 and are included in participant programs on the consolidated statements of financial position. 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 grants received in advance in the consolidated statements of financial position. Grants received in advance are \$23 and \$158 at December 31, 2025 and 2024, respectively. These amounts are recognized in subsequent years when the conditions for recognition are met.

Goodwill has cost reimbursable grants of \$1,100 and \$989 that have not been recognized at December 31, 2025 and 2024, respectively, because qualifying expenditures have not yet been incurred.

Contributions, including unconditional promise to give, are recorded in the period received. 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 in the consolidated statements of activities. Contributions with donor-imposed restrictions that are met in the same accounting period are recorded as support without donor restrictions.

***In-kind Contributions***

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 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 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.

***Functional Allocation of Expenses***

Directly identifiable expenses are charged to program services, management and general and fundraising. Other expenses related to more than one 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: rent and occupancy; salaries, employee benefits, and payroll taxes; professional fees; and depreciation. These expenses are allocated on the basis of square footage occupied or used, the basis of the total direct cost of the benefiting program, or estimated time and effort made by management. Management and general expenses include those expenses not directly identifiable with any other specific function but provide for the overall support and direction of Goodwill.

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

**December 31, 2025 and 2024**  
**(In thousands)**

***Advertising***

Goodwill expenses the cost of advertising as incurred. Advertising expense for the years ended December 31, 2025 and 2024, was \$2,662 and \$1,802, 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.

Goodwill follows authoritative accounting guidance related to the uncertainty of income tax positions. 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 consolidated 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, 2025 and 2024, 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 2022 through 2025. Tax years open under the state of Wisconsin and state of Illinois statutes include 2021 through 2025.

***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 gains or losses on disposal of property, plant and equipment.

***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 consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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

**December 31, 2025 and 2024**  
(In thousands)

**Recent Accounting Pronouncements**

In July 2025, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2025-05, *Financial Instruments—Credit Losses (Topic 326) Measurement of Credit Losses for Accounts Receivable and Contract Assets*. The ASU provides all entities with a practical expedient and an accounting policy election may be applied by entities other than public business entities when estimating expected credit losses for current accounts receivable and current contract assets arising from contracts with customers. The practical expedient allows for an election that assumes that current conditions as of the statement of financial position date do not change for the remaining life of the asset. The accounting policy election allows for entities other than public business entities that make the practical expedient election to consider collection activity after the statement of financial position date when estimating expected credit losses. The ASU is effective for annual periods beginning after December 15, 2025 and is applied prospectively. Early adoption is permitted. Management is currently evaluating the impact of ASU No. 2025-05 on its consolidated financial statements.

In September 2025, the FASB issued ASU No. 2025-06, *Internal-Use Software (Subtopic 350-40)*. The ASU removes all references to software development stages and requires entities to start capitalizing software costs when both management has authorized and committed to funding the project; and, it is probable that the project will be completed and the software will be used to perform the function intended. The ASU also clarifies disclosure requirements for internal-use software costs. The ASU is applicable to all entities subject to internal-use software and website development costs. The ASU is effective for annual periods beginning after December 15, 2027 with several options for a transition approach. Early adoption is permitted. Management is currently evaluating the impact of ASU No. 2025-06 on its consolidated financial statements.

**NOTE C - INVENTORIES AND SUPPLIES**

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

	2025	2024
Retail merchandise	\$ 12,086	\$ 11,733
Food	926	865
Inventories and supplies	\$ 13,012	\$ 12,598

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

**December 31, 2025 and 2024**  
(In thousands)

**NOTE D - PROPERTY, PLANT AND EQUIPMENT**

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

	2025	2024
Land	\$ 32,118	\$ 32,118
Land improvements	10,459	10,459
Buildings and improvements	198,852	194,159
Equipment and vehicles	80,589	81,102
Construction in process	81	633
Total property, plant and equipment	322,099	318,471
Less: accumulated depreciation and amortization	(198,018)	(190,494)
Property, plant and equipment, net	\$ 124,081	\$ 127,977

**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. The line-of-credit was amended in December 2025 to increase its available credit to \$30,000 through March 2026 and returning to \$13,500 from April 2026 through the expiration of the agreement on October 31, 2026. Borrowings under the line-of-credit agreement bear interest at a variable rate (5.21% and 6.49% as of December 31, 2025 and 2024, respectively). There was no outstanding balance as of December 31, 2025 and 2024. 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, 2025 and 2024.

**NOTE F - LONG-TERM DEBT**

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

	2025	2024
WHEFA Revenue Bonds, Series 2012, due in annual installments of \$585 through February 2037. The bonds bear interest, due monthly, at variable rates (4.61% and 5.14% at December 31, 2025 and 2024, respectively). Collateralized by certain buildings.	\$ 7,055	\$ 7,640
Total debt	7,055	7,640
Less: current maturities	(585)	(585)
Less: unamortized bond issuance costs	(43)	(49)
Long-term debt, less current maturities and unamortized bond issuance costs	\$ 6,427	\$ 7,006

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

**December 31, 2025 and 2024**  
**(In thousands)**

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	
					2025	2024
December 1, 2029	2.95%	4.61%	\$ 11,160	\$ 7,055	\$ 62	\$ 68

The total change in the fair value of interest rate swap was recognized in interest expense as a gain of \$6 and \$43 in 2025 and 2024, 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, 2025 and 2024.

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
2026	\$ 585	\$ 6
2027	585	6
2028	585	6
2029	585	6
2030	585	6
Thereafter	4,130	13
	<u>\$ 7,055</u>	<u>\$ 43</u>

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

**December 31, 2025 and 2024**  
(In thousands)

**NOTE G - LEASES**

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

	2025	2024
Finance lease expenses:		
Amortization of right-of-use assets	\$ 205	\$ 125
Interest on lease liabilities	41	6
	246	131
Operating lease expense	16,434	15,872
Total lease expense	\$ 16,680	\$ 16,003

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

	2025	2024
Weighted-average remaining lease term (in years):		
Finance leases	5	1
Operating leases	10	11
Weighted-average discount rate:		
Finance leases	4.4%	7.0%
Operating leases	3.5%	3.5%

As of December 31, 2025, future minimum lease payments under non-cancellable leases are as follows:

	Finance Leases	Operating Leases	Total
2026	\$ 594	\$ 15,716	\$ 16,310
2027	594	15,096	15,690
2028	594	13,963	14,557
2029	575	12,907	13,482
2030	418	12,145	12,563
Thereafter	-	63,501	63,501
	2,775	133,328	136,103
Total future minimum lease payments			
Less: discount	(261)	(21,916)	(22,177)
Lease liability	\$ 2,514	\$ 111,412	\$ 113,926

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

**December 31, 2025 and 2024**  
**(In thousands)**

**NOTE H - 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 \$135,410 and \$120,726 or 24% and 23% in 2025 and 2024, respectively, of total operating revenue and support related to this customer. This customer accounted for \$28,785 and \$22,349 or 86% and 79%, respectively, of the total accounts receivable balance as of December 31, 2025 and 2024.

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 I - 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 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 2025 and 2024, Goodwill's contributions, net of forfeitures, to the plan were \$6,209 and \$5,521, 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, 2025 and 2024.

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 \$1,145 and \$906 are included on Goodwill's consolidated statements of financial position as of December 31, 2025 and 2024, respectively, within investments and other long-term liabilities.

**NOTE J - 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.

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

**December 31, 2025 and 2024**  
**(In thousands)**

**NOTE K - 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 \$878 and \$723 for 2025 and 2024, 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 \$108 and \$144 for 2025 and 2024, respectively. There were \$12 and \$0 of outstanding pledges from Goodwill directors and management staff members at December 31, 2025 and 2024, respectively.

**NOTE L - 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.

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, 2025 and 2024.

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.

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

**December 31, 2025 and 2024**  
**(In thousands)**

Beneficial interest in perpetual trust - Beneficial interest in perpetual trust are funds that Goodwill is named as the beneficiary in which they are not the trustee of the assets and are classified in Level 3 as the valuation is based on significant unobservable inputs that are not corroborated by market data. The fair value of the beneficial interest in perpetual trust is based on information provided by the trustee. The trust was recognized as a contribution at December 31, 2025. As such, there were no realized or unrealized gains or losses for the year ended December 31, 2025. There were no deposits or withdrawals in 2025.

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, 2025 and 2024, 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, 2025, 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
<b>Assets</b>				
Bond and stock mutual funds	\$ 1,145	\$ -	\$ -	\$ 1,145
Beneficial interest in perpetual trust	-	-	571	571
<b>Liabilities</b>				
Derivative liability, net (interest rate swap)	-	62	-	62

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
<b>Assets</b>				
Bond and stock mutual funds	\$ 906	\$ -	\$ -	\$ 906
<b>Liabilities</b>				
Derivative liability, net (interest rate swap)	-	68	-	68

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

**December 31, 2025 and 2024**  
(In thousands)

**NOTE M - LIQUIDITY AND AVAILABILITY**

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

	2025	2024
Cash and cash equivalents	\$ 72,808	\$ 59,570
Accounts receivable, net	33,332	28,792
	\$ 106,140	\$ 88,362

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 should an unanticipated liquidity need be identified.

**NOTE N - SUBSEQUENT EVENTS**

Goodwill evaluated its December 31, 2025 consolidated financial statements for subsequent events through June 3, 2026, the date the consolidated financial statements were available to be issued. Goodwill is not aware of any subsequent events that would require recognition or disclosure in the consolidated financial statements, except as disclosed below.

In March 2026, Goodwill entered into a purchase agreement to acquire land and property in the City of Chicago for \$1,175, which will be used for the future operation of the Englewood Neighborhood Opportunity Center.