Goodwill of Western Missouri and Eastern Kansas

Independent Auditor's Report and Consolidated Financial Statements

December 31, 2019 and 2018

BKD LLP
CPAs & Advisors

Goodwill of Western Missouri and Eastern Kansas
December 31, 2019 and 2018

Contents

BKD
CPAs & Advisors

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Independent Auditor's Report

Board of Directors
Goodwill of Western Missouri and Eastern Kansas
Kansas City, Missouri

We have audited the accompanying consolidated financial statements of Goodwill of Western Missouri and Eastern Kansas and The Helping Hand of Goodwill Industries Extended Employment Sheltered Workshop, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Goodwill of Western Missouri and Eastern Kansas and The Helping Hand of Goodwill Industries Extended Employment Sheltered Workshop as of December 31, 2019 and 2018, and the consolidated 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.

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The other information listed in the table of contents including the financial statements of The Helping Hand of Goodwill Industries Extended Employment Sheltered Workshop, which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Kansas City, Missouri
January 25, 2021

Goodwill of Western Missouri and Eastern Kansas

Consolidated Statements of Financial Position

December 31, 2019 and 2018

Assets

	2019	2018
Cash	$ 2,085,446	$ 2,527,426
Accounts receivable, net of allowance; 2019 - $79,243, 2018 - $5,115	1,215,447	1,481,523
Investments	1,057,746	1,022,963
Inventories	1,676,265	1,629,652
Prepaid supplies and expenses	232,417	179,888
Deposits	232,223	184,098
Property and equipment, net of accumulated depreciation; 2019 - $5,373,844, 2018 - $5,038,810	3,442,121	2,962,154
Total assets	$ 9,941,665	$ 9,987,704

Liabilities and Net Assets

	2019	2018
Liabilities		
Accounts payable	$ 732,650	$ 717,750
Accrued expenses	2,102,625	1,448,740
Deferred revenue	94,593	44,186
Long-term debt	264,973	331,523
Total liabilities	3,194,841	2,542,199
Net Assets		
Without donor restrictions	6,734,852	7,432,595
With donor restrictions	11,972	12,910
Total net assets	6,746,824	7,445,505
Total liabilities and net assets	$ 9,941,665	$ 9,987,704

Goodwill of Western Missouri and Eastern Kansas

Consolidated Statements of Activities

Years Ended December 31, 2019 and 2018

	2019	2018
Net Assets Without Donor Restrictions		
Revenues, gains and other support		
Sales to the public	$ 20,834,570	$ 20,308,569
Industrial and janitorial services	4,750,802	4,448,336
Contributions	413,843	254,406
Governmental agencies and programs	425,480	485,127
Other	116,985	1,195,917
Net assets released from restrictions	6,306	7,015
Total revenues, gains and other support	26,547,986	26,699,370
Expenses and losses		
Program services		
Retail operations	18,458,026	17,279,127
Workforce development	1,358,766	1,768,081
Sheltered workshop	3,258,481	3,539,301
Total program services	23,075,273	22,586,509
Management and general	3,888,790	2,988,183
Fundraising	281,666	171,646
Total support services	4,170,456	3,159,829
Total expenses and losses	27,245,729	25,746,338
Change in net assets without donor restrictions	(697,743)	953,032
Net Assets With Donor Restrictions		
Contributions	5,368	6,212
Net assets released from restrictions	(6,306)	(7,015)
Change in net assets with donor restrictions	(938)	(803)
Change in Net Assets	(698,681)	952,229
Net Assets, Beginning of Year	7,445,505	6,493,276
Net Assets, End of Year	$ 6,746,824	$ 7,445,505

Goodwill of Western Missouri and Eastern Kansas

Consolidated Statement of Functional Expenses

Year Ended December 31, 2019

	Program Services				Support Services			
	Retail Operations	Workforce Development	Sheltered Workshop	Total Program Services	Management and General	Fundraising	Total Support Services	Total
Salaries	$ 7,977,016	$ 876,765	$ 1,782,520	$ 10,636,301	$ 1,961,690	$ 187,021	$ 2,148,711	$ 12,785,012
Employee benefits	738,226	184,544	504,875	1,427,645	271,736	23,226	294,962	1,722,607
Payroll taxes	547,900	63,162	135,593	746,655	175,013	13,980	188,993	935,648
Professional fees	454,920	7,446	8,311	470,677	214,514	532	215,046	685,723
Supplies	717,436	8,375	1,432	727,243	56,194	3,182	59,376	786,619
Cost of merchandise	648,332	5,084	333,704	987,120	5,903	-	5,903	993,023
Occupancy	5,315,438	71,900	17,101	5,404,439	299,091	237	299,328	5,703,767
Equipment rental	195,627	7,215	46,456	249,298	34,797	-	34,797	284,095
Repairs and maintenance	278,325	274	17,205	295,804	74,841	299	75,140	370,944
Software maintenance and support	83,277	8,091	-	91,368	84,282	3,439	87,721	179,089
General insurance	221,878	21,871	77,360	321,109	68,594	5,800	74,394	395,503
Interest	13,909	-	500	14,409	-	-	-	14,409
Employee recruitment	2,232	1,643	-	3,875	36,825	-	36,825	40,700
Marketing	231	5,461	-	5,692	256,643	1,322	257,965	263,657
Vehicle operations	676,516	19,374	17,637	713,527	15,996	12	16,008	729,535
Conferences, meetings and trainings	37,525	23,161	34	60,720	77,455	6,566	84,021	144,741
Fund development	687	-	379	1,066	-	26,941	26,941	28,007
Memberships, dues and subscriptions	439	6,022	177,646	184,107	166,340	4,307	170,647	354,754
Community support	-	7,133	-	7,133	-	3,995	3,995	11,128
Depreciation	516,741	30,866	61,242	608,849	33,866	-	33,866	642,715
Miscellaneous	31,371	10,379	76,486	118,236	55,010	807	55,817	174,053
Total expenses and losses	$ 18,458,026	$ 1,358,766	$ 3,258,481	$ 23,075,273	$ 3,888,790	$ 281,666	$ 4,170,456	$ 27,245,729

See Notes to Consolidated Financial Statements

Goodwill of Western Missouri and Eastern Kansas

Consolidated Statement of Functional Expenses

Year Ended December 31, 2018

	Program Services				Support Services			
	Retail Operations	Workforce Development	Sheltered Workshop	Total Program Services	Management and General	Fundraising	Total Support Services	Total
Salaries	$ 7,595,134	$ 1,087,564	$ 2,079,909	$ 10,762,607	$ 1,682,168	$ 99,929	$ 1,782,097	$ 12,544,704
Employee benefits	720,327	204,000	541,212	1,465,539	282,178	13,440	295,618	1,761,157
Payroll taxes	522,952	80,273	151,637	754,862	154,528	6,946	161,474	916,336
Professional fees	421,921	5,042	16,827	443,790	211,662	658	212,320	656,110
Supplies	665,567	19,502	4,672	689,741	36,850	1,212	38,062	727,803
Cost of merchandise	682,191	2,813	299,773	984,777	5,857	-	5,857	990,634
Occupancy	4,710,186	118,435	24,312	4,852,933	181,615	1,969	183,584	5,036,517
Equipment rental	150,354	7,160	43,633	201,147	31,379	-	31,379	232,526
Repairs and maintenance	187,467	1,471	14,551	203,489	39,907	-	39,907	243,396
Software maintenance and support	72,460	12,640	-	85,100	82,036	2,989	85,025	170,125
General insurance	200,495	21,158	69,754	291,407	49,568	3,886	53,454	344,861
Interest	15,534	-	697	16,231	-	-	-	16,231
Employee recruitment	286	-	-	286	65,177	-	65,177	65,463
Marketing	164,421	78,343	94	242,858	67,315	1,101	68,416	311,274
Vehicle operations	663,941	28,452	34,115	726,508	11,606	239	11,845	738,353
Conferences, meetings and trainings	6,365	19,623	3,291	29,279	33,799	973	34,772	64,051
Fund development	22	24	-	46	622	33,926	34,548	34,594
Memberships, dues and subscriptions	1,471	5,365	169,900	176,736	158,093	3,762	161,855	338,591
Community support	1,000	10,461	-	11,461	11,210	-	11,210	22,671
Depreciation	454,890	59,400	83,316	597,606	36,839	-	36,839	634,445
Loss on lease disposal obligation	-	-	-	-	(307,441)	-	(307,441)	(307,441)
Miscellaneous	42,143	6,355	1,608	50,106	153,215	616	153,831	203,937
Total expenses and losses	$ 17,279,127	$ 1,768,081	$ 3,539,301	$ 22,586,509	$ 2,988,183	$ 171,646	$ 3,159,829	$ 25,746,338

See Notes to Consolidated Financial Statements

Goodwill of Western Missouri and Eastern Kansas
Consolidated Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
Operating Activities		
Change in net assets	$ (698,681)	$ 952,229
Items not requiring (providing) operating activities cash flows		
Depreciation	642,715	634,445
Net realized and unrealized (gains) losses on investments	(323)	36,270
Loss on disposition of property and equipment	622	23,897
Reversal of loss on lease disposal obligation	-	(307,441)
Changes in		
Accounts receivable	266,076	(518,177)
Inventories	(46,613)	13,389
Prepaid supplies and expenses	(52,529)	16,559
Deposits	(48,125)	14,864
Accounts payable	120,355	41,240
Accrued expenses	653,885	(228,408)
Deferred revenue	50,407	17,468
Net cash provided by operating activities	887,789	696,335
Investing Activities		
Purchase of property and equipment	(1,265,734)	(375,072)
Proceeds from disposition of property and equipment	36,975	5,000
Purchase of investments	-	(158,028)
Proceeds from disposition of investments	(34,460)	680,231
Net cash provided by (used in) investing activities	(1,263,219)	152,131
Financing Activities		
Principal payments on long-term debt	(16,247)	(20,973)
Principal payments on capital lease obligations	(50,303)	(57,282)
Net cash used in financing activities	(66,550)	(78,255)
Change in Cash	(441,980)	770,211
Cash, Beginning of Year	2,527,426	1,757,215
Cash, End of Year	$ 2,085,446	$ 2,527,426
Supplemental Cash Flows Information		
Interest paid	$ 14,409	$ 16,231
Capital lease obligation incurred for equipment	-	338,933
Property and equipment additions in accounts payable	-	105,455

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Goodwill of Western Missouri and Eastern Kansas, (the “Organization”) is a not-for-profit organization whose mission is to help people with disabilities or disadvantages by maximizing their vocational potential. The Organization’s revenues and other support are derived primarily from the sale of donated clothing and merchandise, contracts, grants and contributions. The Organization operates in 10 counties in northwest Missouri and northeast Kansas.

Principles of Consolidation

The consolidated financial statements include the accounts of the Organization and its wholly-owned subsidiary, The Helping Hand of Goodwill Industries Extended Employment Sheltered Workshop (Sheltered Workshop). All significant intercompany accounts and transactions have been eliminated in consolidation.

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 that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues, expenses gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash

Uninvested cash and cash equivalents included in investment accounts are not considered to be cash and cash equivalents. At December 31, 2019, the Organization’s cash accounts exceeded federally insured limits by approximately $1,437,000.

Investments and Net Investment Return

The Organization measures securities, other than investments that qualify for the equity method of accounting, at fair value. Investment return includes dividend, interest and realized and unrealized gains and losses on investments carried at fair value, less external and direct internal investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Accounts Receivable

Accounts receivable are stated at the amount billed to customers. The Organization provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Accounts past due more than 90 days are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

Inventories

Inventories generally consist of donated goods that are to be sold in the Organization's retail stores. Inventory value is estimated based on average sales adjusted for inventory turnover, which approximates fair value.

Property and Equipment

Property and equipment acquisitions over $2,500 (equipment and furniture) or $1,000 (improvements) are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings	40 years
Leasehold improvements	3-20 years
Furniture, fixtures and equipment	3-10 years
Vehicles	3-7 years

Long-lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended December 31, 2019 and 2018.

Net Assets

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

Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions. The governing board has designated, from net assets without donor or certain grantor restrictions, net assets for an operating reserve.

Net assets with donor restrictions are subject to donor or certain grantor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity.

Net assets with donor restrictions as of December 31, 2019 and 2018 are restricted to support employees in need.

Deferred Revenue

Revenue from grants and contracts is deferred and recognized over the periods to which the revenues relate.

Deferred Rent

As further discussed in *Note 8*, the Organization records deferred rent, including lease incentives, related to escalating lease payments where the lease expense is recognized on a straight-line basis. Deferred rent is included with accrued expenses on the consolidated statements of financial position.

Sales to the Public

Sales to the public are recognized as revenue when the merchandise is sold, typically at the point of sale in thrift stores, salvage facilities or through e-commerce operations.

Government Contracts

Revenue received from government agencies and programs, including industrial and janitorial services, is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the contract agreements. Government programs are subject to audit and acceptance by the government agency and, as a result of such audit, adjustments could be required.

Contributions

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
Conditional gifts, with or without restriction	
Gifts that depend on the Organization overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, *i.e.*, the donor-imposed barrier is met
Unconditional gifts, with or without restriction	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

In-kind Contributions

In addition to receiving cash contributions, the Organization receives in-kind contributions of advertising and marketing and food and entertainment for special events from various donors. It is the policy of the Organization to record the estimated fair value of certain in-kind donations as an expense in its consolidated financial statements, and similarly increase contribution revenue by the same amount. For the years ended December 31, 2019 and 2018, $137,470 and $73,002, respectively, was received in in-kind contributions.

Shipping and Handling Costs

Shipping and handling costs of $379,152 and $387,266 for 2019 and 2018, respectively, are included in program expenses.

Income Taxes

The Organization is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income. The Organization files tax returns in the U.S. federal jurisdiction.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fundraising categories based on estimated usage.

Note 2: Change in Accounting Principle

On January 1, 2019, the Organization adopted the Financial Accounting Standards Board Accounting Standards Update 2018-08, *Not-for-Profit Entities: Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made,* using a modified prospective method of adoption to agreements that were not complete as of or entered into after the effective date.

The core guidance in ASU 2018-08 is to provide guidance around the determination of distinguishing contributions versus exchange transactions. In addition, the standard clarified the requirements for determining whether a contribution is conditional or unconditional.

Adoption of ASU 2018-08 did not have a material impact on the consolidated financial statements.

Note 3: Liquidity and Availability

The Organization regularly monitors liquidity required to meet its general expenditure needs and other obligations as they come due. The Organization has various sources of liquidity at its disposal, including cash and a committed line of credit with a bank that can be drawn upon as needed. See *Note 6* for information about the line of credit arrangement.

The following table reflects the Organization's financial assets as of December 31, 2019 and 2018, reduced by the amounts that are not available to meet general expenditures within one year because of internal board designation and with donor restrictions. In the event that the need arises to utilize the board-designated funds for liquidity purpose, the reserves could be drawn upon at the discretion of the board.

	2019	2018
Cash	$ 2,085,446	$ 2,527,426
Accounts receivable, net	1,215,447	1,481,523
Investments	1,057,746	1,022,963
Total financial assets	4,358,639	5,031,912
Less:		
Donor restricted funds	(11,972)	(12,910)
Board designated operating reserve funds	(1,057,746)	(1,022,963)
Financial assets available to meet cash needs for general expenditures within one year	$ 3,288,921	$ 3,996,039

Note 4: Disclosures About Fair Value of Assets

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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

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

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active 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 supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31:

		Fair Value Measurements Using		
	Fair Value	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
December 31, 2019				
Fixed income mutual funds	$ 1,057,089	$ 1,057,089	$ -	$ -
Money market funds	657	657	-	-
	$ 1,057,746	$ 1,057,746	$ -	$ -
December 31, 2018				
Fixed income mutual funds	$ 1,022,310	$ 1,022,310	$ -	$ -
Money market funds	653	653	-	-
	$ 1,022,963	$ 1,022,963	$ -	$ -

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2019.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Note 5: Property and Equipment

Property and equipment at December 31 consisted of:

	2019	2018
Land and improvements	$ 368,741	$ 368,741
Buildings and leasehold improvements	3,855,350	3,127,206
Furniture, fixtures and equipment	3,762,102	3,549,043
Vehicles and trailers	748,638	748,638
Construction in process	81,134	207,336
	8,815,965	8,000,964
Less accumulated depreciation	5,373,844	5,038,810
	$ 3,442,121	$ 2,962,154

Note 6: Line of Credit

The Organization has a revolving bank line of credit. Effective May 1, 2018 through November 29, 2018, the maximum loan amount was $1,000,000. Effective from November 30, 2018 through October 31, 2019, the maximum loan amount was $500,000. Effective November 1, 2019, the maximum loan amount increased back to $1,000,000 through August 2020. At December 31, 2019 and 2018, there were no borrowings against this line. The line is collateralized by substantially all of the Organization's assets. Interest accumulates on any outstanding balance at a rate equal to 2 percent plus one-month LIBOR, which was 3.50 percent and 4.13 percent on December 31, 2019 and 2018, respectively, and is payable monthly.

Note 7: Long-term Debt

Long-term debt at December 31 consists of:

	2019	2018
Notes payable (A)	$ 33,625	$ 49,872
Capital lease obligations (B)	231,348	281,651
	$ 264,973	$ 331,523

(A) Notes payable with due dates ranging from November 2021 to December 2021; payable monthly ranging from $525 to $945 with interest payable monthly ranging from 3.4 percent to 3.6 percent; collateralized by vehicles and equipment.

(B) Capital leases include leases covering freightliners and tractors expiring in January 2024; payable monthly ranging from $1,315 to $3,952, including interest of 5 percent.

Aggregate annual maturities of long-term debt and payments on capital lease obligations at December 31, 2019 are:

	Long-term Debt (Excluding Leases)	Capital Lease Obligations
2020	$ 16,829	$ 63,210
2021	16,796	63,210
2022	-	63,210
2023	-	63,210
2024	-	3,187
	$ 33,625	256,027
Less amount representing interest		24,679
Present value of future minimum lease payments		$ 231,348

Property and equipment include the following property under capital leases at December 31:

	2019	2018
Vehicles	$ 327,071	$ 327,071
Less accumulated depreciation	104,481	49,969
	$ 222,590	$ 277,102

Note 8: Operating Leases

Noncancellable operating leases, primarily for retail store locations, expire in various years through 2034. These leases generally contain renewal options for periods ranging from five to 10 years and require the Organization to pay part or all executory costs (property taxes, maintenance and insurance).

Future minimum lease payments under operating leases at December 31, 2019, are:

2020	$ 3,443,061
2021	3,306,983
2022	3,184,063
2023	2,407,973
2024	2,016,212
Later years	8,013,830
Total minimum lease payments	$ 22,372,122

In accordance with ASC Topic 840, *Leases*, rental agreements with escalating lease payments are recognized in the consolidated statements of activities on a straight-line basis. The difference between the cash payments and amount recognized are recorded as a deferred liability. Additionally, incentives provided to the Organization under the lease agreements are deferred and amortized against rent expense over the term of the lease. The deferred rent liability at December 31, 2019 and 2018 was $1,332,717 and $808,428, respectively, and is included in accrued expenses on the consolidated statements of financial position. Rental expense for all operating leases amounted to $2,945,169 and $2,551,230 for the years ended December 31, 2019 and 2018, respectively.

In accordance with ASC Topic 420, *Exit or Disposal Cost Obligations*, a lease liability for costs that will continue to be incurred under a lease contract for its remaining term without economic benefit to the entity is recognized at the cease-use date (date lessee discontinues use of the asset). During the year ended December 31, 2013, the Organization elected not to open a planned retail space for which an operating lease was in force. The leased space was vacant and efforts to open a store location had been discontinued until 2018. As such at that time, the Organization recognized a liability for the net present value of payments due under the lease agreement less the net present value of estimated sub-lease income which would be received under the remaining life of the lease. In December 2018, the Organization committed to utilizing the leased space and opening a retail location at the beginning of 2019. Based on this decision, and in accordance with ASC Topic 420, *Exit or Disposal Cost Obligations*, the remaining accrued lease obligation was reversed.

A summary of changes in the accrued lease obligation for the years ended December 31, 2019 and 2018 is as follows:

	2019	2018
Balance, beginning of year	$ -	$ 480,250
Reversal of obligation	-	(414,625)
Obligation recognized	-	77,843
Payments	-	(143,468)
Balance, end of year	$ -	$ -

The associated loss recognized during the year ended December 31, 2018 was $77,843 and is included in management and general expenses on the accompanying consolidated statements of functional expenses. The loss recognized during the year ended December 31, 2018, related to the loss of not sub-leasing the space for which the original lease disposal obligation was reduced by the net present value of estimated sub-lease income. For the year ended December 31, 2018, due to the decision to open the retail location and utilize the space, the loss on lease obligation was offset by the reversal of the remaining liability of $414,625 and a cumulative catch up adjustment to reinstate deferred rent under the lease for the escalating rent payments resulting in a total cumulative reversal of loss on lease obligation of $307,441 as presented in the consolidated statement of functional expenses.

Note 9: Commitments

In June 2019, the Organization entered into a three year purchase commitment for advertising with payments for the years ending December 31, 2019, 2020 and 2021 of $100,000, $105,000 and $110,000, respectively. Subsequent to year end, this agreement was terminated.

Note 10: Retirement Plans

The Organization has a defined contribution plan covering substantially all employees. The Organization contributes a matching contribution up to 4 percent of gross salaries for eligible employees. The Organization's expense related to this plan was $87,809 and $99,020 in 2019 and 2018, respectively.

An employee 401(a) plan covers employees whose services are provided pursuant to a service contract entered into by the employer under the *Javits, Wagner, O'Day Act*. Benefit amounts are determined by the annual contract. The amounts paid for 2019 and 2018 were $482,507 and $490,852, respectively.

Note 11: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Accounts Receivable

Approximately 86 percent and 71 percent of the Organization's accounts receivable balance in 2019 and 2018 is due from three and two agencies, respectively.

Allowance for Accounts Receivable

Estimates for allowance of uncollectible accounts receivable are described in *Note 1*.

Inventories

As discussed in *Note 1*, inventory value is estimated based on average sales adjusted for inventory turnover.

Functional Allocation of Expenses

As discussed in *Note 1*, certain costs have been allocated among the program, management and general and fundraising categories based on the direct cost method and other methods.

Revenue

The Organization's industrial and janitorial service contracts and governmental programs are funded by various governmental agencies. These funds were 19 percent and 18 percent of total revenue for the years ended December 31, 2019 and 2018, respectively.

Other Income

Approximately 80 percent of the Organization's other income in 2018 is from one transaction. During the year ended December 31, 2018, the Organization sold a portion of its territorial rights to another unrelated Goodwill organization for $960,000.

Litigation

The Organization is subject to claims and lawsuits that arise primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets and cash flows of the Organization. Events could occur that would change this estimate materially in the near term.

Note 12: Future Change in Accounting Principle

Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2020, and any interim periods within annual reporting periods that begin after December 15, 2020. The Organization is evaluating the impact the standard will have on the consolidated financial statements; however, the standard is expected to have a material impact on the consolidated financial statements due to the recognition of additional assets and liabilities for operating leases.

Note 13: Subsequent Events

Subsequent events have been evaluated through January 25, 2021, which is the date the consolidated financial statements were available to be issued.

In August 2020, a new revolving line of credit agreement was entered in to with a maximum loan amount of $2,500,000 expiring in August 2021. Interest is payable monthly and varies with the Prime Rate and shall not be less than 4 percent. The line is collateralized by substantially all of the Organization's assets. No amounts have been drawn on the line of credit.

In April 2020, the Organization was approved and received a $2,873,245 loan through the Small Business Administration's Paycheck Protection Program which matures in April 2022 and includes interest at 1 percent. A portion of the loan may be eligible for forgiveness under the CARES Act.

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, the state of Missouri and Kansas issued shelter-in-place orders and other measures around public gatherings and business operations to slow the spread of the virus. As a result of this guidance, the Organization significantly curtailed its operations. Effective March 14, 2020, the Organization temporarily closed its retail stores to the public and limited operations to online sales. Beginning in July 2020, the Organization began reopening its stores to the general public with significant attention to the safety of staff and guests. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Other Information

Goodwill of Western Missouri and Eastern Kansas

The Helping Hand of Goodwill Industries

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Statements of Financial Position

December 31, 2019 and 2018

Assets

	2019	2018
Cash	$ 496,421	$ 497,613
Accounts receivable, net of allowance; 2019 - $42,283, 2018 - $0	907,404	1,063,081
Due from parent organization	8,616,281	7,189,119
Equipment, net of accumulated depreciation; 2019 - $517,509, 2018 - $471,552	81,331	107,636
Total assets	$ 10,101,437	$ 8,857,449

Liabilities and Net Assets

	2019	2018
Liabilities		
Accounts payable	$ 80,634	$ 120,726
Accrued expenses	136,904	113,919
Long-term debt	11,617	17,418
Total liabilities	229,155	252,063
Net Assets		
Without donor restrictions	9,872,282	8,605,386
Total net assets	9,872,282	8,605,386
Total liabilities and net assets	$ 10,101,437	$ 8,857,449

Goodwill of Western Missouri and Eastern Kansas

The Helping Hand of Goodwill Industries

Extended Employment Sheltered Workshop

Statements of Activities

Years Ended December 31, 2019 and 2018

	2019	2018
Revenues, Gains and Other Support		
Industrial and janitorial services	$ 4,779,017	$ 4,613,804
Government agencies and programs	17,597	71,009
Other	1,092	13,511
Total revenues, gains and other support	4,797,706	4,698,324
Expenses and Losses		
Program services		
Work activity center	91,388	430,503
Ability One	3,167,093	3,108,798
Total program services	3,258,481	3,539,301
Management and general	272,329	292,810
Total support services	272,329	292,810
Total expenses and losses	3,530,810	3,832,111
Change in Net Assets Without Donor Restrictions	1,266,896	866,213
Net Assets Without Donor Restrictions, Beginning of Year	8,605,386	7,739,173
Net Assets Without Donor Restrictions, End of Year	$ 9,872,282	$ 8,605,386

Goodwill of Western Missouri and Eastern Kansas

The Helping Hand of Goodwill Industries

Extended Employment Sheltered Workshop

Statement of Functional Expenses

Year Ended December 31, 2019

	Program Services			Support Services		
	Work Activity Center	Ability One	Total Program Services	Management and General	Total Support Services	Total
Salaries	$ 31,560	$ 96,161	$ 127,721	$ -	$ -	$ 127,721
Direct labor - non-disabled	-	611,122	611,122	-	-	611,122
Direct labor - disabled	43,420	1,000,257	1,043,677	-	-	1,043,677
Employee benefits	2,288	502,587	504,875	-	-	504,875
Payroll taxes	5,894	129,699	135,593	-	-	135,593
Professional fees	-	8,311	8,311	-	-	8,311
Supplies	126	1,306	1,432	-	-	1,432
Cost of merchandise	-	333,704	333,704	-	-	333,704
Management fee to parent organization	-	-	-	272,329	272,329	272,329
Occupancy	2,381	14,720	17,101	-	-	17,101
Equipment rental	-	46,456	46,456	-	-	46,456
Repairs and maintenance	-	17,205	17,205	-	-	17,205
General insurance	3,414	73,946	77,360	-	-	77,360
Interest	-	500	500	-	-	500
Vehicle operations	2,305	15,332	17,637	-	-	17,637
Conferences, meetings and trainings	-	34	34	-	-	34
Fund development	-	379	379	-	-	379
Memberships	-	177,646	177,646	-	-	177,646
Depreciation	-	61,242	61,242	-	-	61,242
Miscellaneous	-	76,486	76,486	-	-	76,486
Total functional expenses	$ 91,388	$ 3,167,093	$ 3,258,481	$ 272,329	$ 272,329	$ 3,530,810

Goodwill of Western Missouri and Eastern Kansas
The Helping Hand of Goodwill Industries
Extended Employment Sheltered Workshop
Statement of Functional Expenses
Year Ended December 31, 2018

	Program Services			Support Services		
	Work Activity Center	Ability One	Total Program Services	Management and General	Total Support Services	Total
Salaries	$ 195,502	$ 223,729	$ 419,231	$ -	$ -	$ 419,231
Direct labor - non-disabled	-	513,972	513,972	-	-	513,972
Direct labor - disabled	153,535	993,171	1,146,706	-	-	1,146,706
Employee benefits	24,512	516,700	541,212	-	-	541,212
Payroll taxes	26,313	125,324	151,637	-	-	151,637
Professional fees	3,433	13,394	16,827	-	-	16,827
Supplies	706	3,966	4,672	-	-	4,672
Cost of merchandise	354	299,419	299,773	-	-	299,773
Management fee to parent organization	-	-	-	292,810	292,810	292,810
Occupancy	6,552	17,760	24,312	-	-	24,312
Equipment rental	-	43,633	43,633	-	-	43,633
Repairs and maintenance	99	14,452	14,551	-	-	14,551
General insurance	11,506	58,248	69,754	-	-	69,754
Interest	-	697	697	-	-	697
Marketing	39	55	94	-	-	94
Vehicle operations	7,851	26,264	34,115	-	-	34,115
Conferences, meetings and trainings	71	3,220	3,291	-	-	3,291
Memberships, dues and subscriptions	-	169,900	169,900	-	-	169,900
Depreciation	-	83,316	83,316	-	-	83,316
Miscellaneous	30	1,578	1,608	-	-	1,608
Total functional expenses	$ 430,503	$ 3,108,798	$ 3,539,301	$ 292,810	$ 292,810	$ 3,832,111

Goodwill of Western Missouri and Eastern Kansas

The Helping Hand of Goodwill Industries

Extended Employment Sheltered Workshop

Statements of Cash Flows

Years Ended December 31, 2019 and 2018

		2019		2018
Operating Activities				
Change in net assets	$	1,266,896	$	866,213
Items not requiring (providing) operating activities cash flows				
Depreciation		61,242		83,316
Gain on disposal of equipment		-		(500)
Changes in				
Accounts receivable		155,677		(449,544)
Due from parent organization		(1,427,162)		(490,489)
Supplies and other		-		41,005
Accounts payable		(40,092)		46,458
Accrued expenses		22,985		(24,034)
Net cash provided by operating activities		39,546		72,425
Investing Activities				
Purchase of equipment		(34,937)		(34,390)
Net cash used in investing activities		(34,937)		(34,390)
Financing Activities				
Principal payments on long-term debt		(5,801)		(5,603)
Net cash used in financing activities		(5,801)		(5,603)
Change in Cash		(1,192)		32,432
Cash, Beginning of Year		497,613		465,181
Cash, End of Year	$	496,421	$	497,613