

HEARTLAND ALLIANCE INTERNATIONAL, LLC

Financial Statements
With Independent Auditor's Report

June 30, 2024



HEARTLAND ALLIANCE INTERNATIONAL, LLC

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Heartland Alliance International, LLC
Chicago, Illinois

Opinion

We have audited the accompanying financial statements of Heartland Alliance International, LLC, which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Heartland Alliance International, LLC, as of June 30, 2024, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Heartland Alliance International, LLC, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis-of-Matter

As discussed in Note 6 to the financial statements, Heartland Alliance International, LLC has a deficit in net assets without donor restrictions, has experienced negative cash flows from operations, and has experienced a significant reduction in sources of revenue subsequent to year end. Management's evaluation of the events and conditions and management's plans to mitigate these matters are also described in Note 6. Our opinion is not modified with respect to this matter.

Other Matter

As part of our audit of the 2024 financial statements, we also audited the adjustments described in Note 10 that were applied to restate the 2023 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

Board of Directors
Heartland Alliance International, LLC
Chicago, Illinois

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Heartland Alliance International, LLC's ability to continue as a going concern within one year after the date that the 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 financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- 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 Heartland Alliance International, LLC'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Heartland Alliance International, LLC'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.



Naperville, Illinois
September 22, 2025

HEARTLAND ALLIANCE INTERNATIONAL, LLC

Statement of Financial Position

June 30, 2024

ASSETS:

Cash and cash equivalents	\$ 596,915
Grants receivable	1,609,738
Prepaid expenses and other assets	108,731
Property and equipment, net	<u>261,913</u>

Total Assets \$ 2,577,297

LIABILITIES AND NET ASSETS:

Liabilities:

Accounts payable	\$ 559,286
Accrued liabilities	657,529
Refundable advances	<u>827,367</u>
Total liabilities	<u>2,044,182</u>

Net assets:

Without donor restrictions	(289,028)
With donor restrictions	<u>822,143</u>
Total net assets	<u>533,115</u>

Total Liabilities and Net Assets \$ 2,577,297

See notes to financial statements

HEARTLAND ALLIANCE INTERNATIONAL, LLC

Statement of Activities

Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Grants and contracts	\$ -	\$ 17,496,991	\$ 17,496,991
Contributions	31,721	487,480	519,201
Contributions of nonfinancial assets	1,270,070	-	1,270,070
Gain on extinguishment of related party liabilities	2,372,205	-	2,372,205
Other income (loss)	(80,216)	-	(80,216)
Total Support and Revenue	3,593,780	17,984,471	21,578,251
 Net assets released from purpose restrictions	 17,988,875	 (17,988,875)	 -
EXPENSES:			
Program services	16,058,097	-	16,058,097
Supporting activities:			
Management and general	3,347,048	-	3,347,048
Fundraising	564,941	-	564,941
Total Expenses	19,970,086	-	19,970,086
 Changes in Net Assets	 1,612,569	 (4,404)	 1,608,165
 Net Assets, Beginning of Year			
As Previously Stated	(2,309,321)	1,234,271	(1,075,050)
Prior Period Adjustment (Note 10)	407,724	(407,724)	-
As Restated	(1,901,597)	826,547	(1,075,050)
 Net Assets, End of Year	 \$ (289,028)	 \$ 822,143	 \$ 533,115

See notes to financial statements

HEARTLAND ALLIANCE INTERNATIONAL, LLC

Statement of Functional Expenses

Year Ended June 30, 2024

	Program Services	Supporting Activities:		Total
		Management and General	Fundraising	
Salaries and benefits	\$ 8,757,086	\$ 1,099,640	\$ 415,746	\$ 10,272,472
Professional services	2,166,902	1,835,265	116,270	4,118,437
Participant support and supplies	2,770,870	-	-	2,770,870
Office expenses	674,747	63,969	17,137	755,853
Occupancy and equipment	539,965	13,944	5,117	559,026
Subrecipient grants	525,083	-	-	525,083
Travel	505,727	9,027	7,818	522,572
Insurance	99,173	23,217	2,853	125,243
Depreciation	-	35,142	-	35,142
Other	18,544	266,844	-	285,388
	<u>\$ 16,058,097</u>	<u>\$ 3,347,048</u>	<u>\$ 564,941</u>	<u>\$ 19,970,086</u>

See notes to financial statements

HEARTLAND ALLIANCE INTERNATIONAL, LLC

Statement of Cash Flows

Year Ended June 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 1,608,165
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation expense	35,142
Donated property and equipment	(24,482)
Gain on extinguishment of related party liabilities	(2,372,205)
Changes in:	
Grants receivable	504,294
Prepaid expenses and other assets	467,944
Accounts payable	118,477
Accrued liabilities	(1,203,072)
Refundable advances	(366,656)
Net Cash Used by Operating Activities	<u>(1,232,393)</u>
Change in Cash and Cash Equivalents	(1,232,393)
Cash and Cash Equivalents, Beginning of Year	<u>1,829,308</u>
Cash and Cash Equivalents, End of Year	<u>\$ 596,915</u>

See notes to financial statements

HEARTLAND ALLIANCE INTERNATIONAL, LLC

Notes to Financial Statements

June 30, 2024

1. NATURE OF ORGANIZATION:

Heartland Alliance International, LLC, (HAI) is a not-for-profit organization that works to secure the rights and well-being of vulnerable people and communities worldwide, including in the U.S., through the Marjorie Kovler Center. HAI began its journey as the global arm of the Chicago-based Heartland Alliance family of nonprofits, founded by Jane Addams over 130 years ago. HAI's service areas include trauma-informed mental health, specialized torture treatment care, access to justice, food security, livelihoods and economic empowerment. HAI advances and sustains change through a multifaceted approach including data-driven direct service delivery, capacity strengthening of local partners, policy advocacy, and research.

HAI is incorporated under the General Not-For-Profit Corporation Act of Illinois and is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (the Code) and state law. HAI is not a private foundation under Section 509(a)(1) of the Code. Contributions to HAI are tax deductible within the limitations prescribed by the Code. HAI's primary support comes from grants and contracts and contributions.

2. SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF ACCOUNTING

The financial statements have been prepared using the accrual basis of accounting. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates. The significant accounting policies are summarized below.

CASH AND CASH EQUIVALENTS

HAI maintains its cash balances in checking and savings accounts. These accounts may at times exceed federally insured limits. As of June 30, 2024, HAI's cash and cash equivalents that were not insured were approximately \$436,000.

GRANTS RECEIVABLE

Grants receivable are recognized as assets and revenue in the period earned. Grants receivable primarily consists of reimbursement based grants where revenue is recognized as qualifying costs are incurred. HAI expects all receivable amounts to be fully collected within one year of June 30, 2024. Therefore, no allowance for uncollectible receivables has been recorded as of June 30, 2024.

HEARTLAND ALLIANCE INTERNATIONAL, LLC

Notes to Financial Statements

June 30, 2024

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

PROPERTY AND EQUIPMENT, NET

Purchases of property and equipment with a cost of \$5,000 or more are stated at cost or, if donated, at the estimated fair value at the date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from ten to thirty years for buildings and improvements and three to five years for vehicles, equipment, and other.

REFUNDABLE ADVANCES

Refundable advances represent grant funds received but not yet earned. Revenue will be recognized when the related services are provided or expenses are incurred in alignment with the grant agreements.

CLASSES OF NET ASSETS

The financial statements report amounts by class of net assets as follows:

Net assets without donor restrictions are those currently available under the direction of the board of directors for use in HAI's operations.

Net assets with donor restrictions are those resources with donor stipulations for various projects or time restrictions. As of June 30, 2024, net assets with donor restrictions are restricted entirely for the Marjorie Kovler Center.

GRANTS AND CONTRACTS

HAI receives funding under grants and contracts from federal, state, and local governmental and non-governmental agencies, as well as from private foundations and individuals. Grant revenue is recognized as it is earned, which is when qualifying costs are incurred or when specific barriers have been overcome. HAI's records are subject to audit for varying periods under multiple grants and contracts, and HAI is liable for repayment of any disallowed costs identified.

HEARTLAND ALLIANCE INTERNATIONAL, LLC

Notes to Financial Statements

June 30, 2024

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

CONTRIBUTIONS

Contributions are recorded when made, which may be when cash or other assets are received or unconditionally promised. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions in the statement of activities as net assets released from restrictions. All contributions are considered available for use without donor restrictions unless specifically restricted by the donor.

CONTRIBUTIONS OF NONFINANCIAL ASSETS

Contributions of nonfinancial assets are recognized at fair value at the date of donation and are reported as unrestricted support unless explicit donor stipulations specify how the contributed nonfinancial assets must be used. The services are only recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. HAI primarily receives contributed legal and medical services, and the related expenses are included as professional services in the statement of functional expenses.

GAIN ON EXTINGUISHMENT OF RELATED PARTY LIABILITIES

During the year ended June 30, 2024, HAI became an independent non-profit organization. Previously, HAI was part of Heartland Alliance for Human Needs and Human Rights and Subsidiaries, Inc. As of June 30, 2024, there were several inter-company liabilities owed to Heartland Alliance for Human Needs and Human Rights and Subsidiaries, Inc. and its affiliates. These liabilities were forgiven as HAI became a separate, non-consolidated organization. Specifically, during the year ended June 30, 2024, a note payable balance of \$774,000 and accounts payable and accrued liabilities of \$1,598,205 were forgiven. This is reported in the statement of activities as a gain on extinguishment of related party liabilities.

OTHER INCOME

Other income is recognized as it is earned.

FUNCTIONAL ALLOCATION OF EXPENSES

In the statements of activities and functional expenses, the costs that are directly associated with a particular program or supporting service are allocated directly to that functional category. Additionally, certain costs have been allocated among the programs and supporting services benefited based on staff time devoted to the functional areas or other appropriate allocation methods determined by management. All other expenses are allocated based on actual expense for programs and various other criteria.

HEARTLAND ALLIANCE INTERNATIONAL, LLC

Notes to Financial Statements

June 30, 2024

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following table reflects HAI's financial assets as of June 30, 2024, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, or because of contractual or donor-imposed restrictions.

Financial assets:

Cash and cash equivalents	\$ 596,915
Grants receivable	1,609,738
Financial assets, at year-end	<u>2,206,653</u>
Less those unavailable for general expenditure within one year, due to:	
Purpose restrictions not expected to be released in the following year	<u>(50,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,156,653</u>

HAI structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Funds restricted by donors that are part of HAI's ongoing operations are considered to be financial assets available to meet cash needs for general expenditures. As part of HAI's liquidity management, it has established guidelines for making decisions related to managing short term cash reserves in a prudent manner. \$772,143 of donor restricted amounts has been included in liquidity as management considers it to be available for general expenditures within the next twelve months for ongoing programs.

HEARTLAND ALLIANCE INTERNATIONAL, LLC

Notes to Financial Statements

June 30, 2024

4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, as of June 30, 2024, consists of:

Land	\$ 31,365
Building and improvements	568,485
Vehicles, equipment, and other	25,867
	<hr/>
	625,717
Less accumulated depreciation	(363,804)
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	\$ 261,913
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5. CONCENTRATIONS

HAI receives a substantial portion of its operating funds from grants and contracts from various departments of the U.S. government. Grant funding from the federal government represented approximately 60% of total revenue for the year ended June 30, 2024. More specifically, the Department of State accounted for approximately 36% of total revenue for the year ended June 30, 2024, and USAID accounted for approximately 17% of total revenue for the year ended June 30, 2024. The remaining revenue received from the federal government was granted from various other departments. If this revenue were discontinued, it would have a material adverse effect on HAI. Government grants are generally subject to review and final determination by the granting agencies. Subsequent to June 30, 2024, the U.S. government terminated 78% of HAI's international grant programs. These international grants accounted for approximately 24% of total revenue for the year ended June 30, 2024. See Note 6 for further disclosure.

6. FINANCIAL CONDITION

As of June 30, 2024, HAI had a deficit in net assets without donor restrictions and has experienced negative cash flows from operations. The primary reason for this financial situation is costs being higher than anticipated grant revenue. Absent the \$2,372,205 gain on extinguishment of related party liabilities, HAI would have had a \$(764,040) change in net assets for the year ended June 30, 2024. As described in Note 5, HAI will no longer receive a substantial portion of its current source of revenue. This will have a significant impact on future operations, beginning in the year ended June 30, 2025.

Management has recognized the significance of the financial condition of HAI and is working to address its need to increase revenues while at the same time significantly reducing operating expenses in order to improve its financial condition, especially in response to the reduction of current sources of revenue. Management has developed a financial recovery plan to address HAI's financial condition and is vigorously pursuing the financial plan to address these concerns and support the financial viability of HAI. Since its independence in May 2024, HAI began developing a fundraising strategy to diversify its revenue. This included the hiring of various positions to grow the business development team and expand its focus away from U.S. Government funding. While the change in revenue for the organization with grant terminations in February 2025 impacted hiring, HAI has continued to strengthen its individual donor base with ambitious fundraising goals in FY25 and FY26. HAI's individual donor base has been particularly engaged subsequent to year end, having increased contributions compared the same period of the previous year. Additionally, HAI underwent a major restructuring, downsizing and streamlining its operations to ensure the organization's size and expenditures reflect the new needs and budget.

HEARTLAND ALLIANCE INTERNATIONAL, LLC

Notes to Financial Statements

June 30, 2024

7. RELATED PARTY TRANSACTIONS:

During the year ended June 30, 2024, HAI executed a Separation Agreement to separate from Heartland Alliance for Human Needs and Human Rights and Subsidiaries, Inc. During the year ended June 30, 2024, Heartland Alliance for Human Needs and Human Rights and Subsidiaries, Inc. invoiced HAI \$839,698 for various support activities. These expenses are included in professional services in the accompanying statement of functional expenses. The Separation Agreement was executed in May 2024, and all remaining amounts owed to Heartland Alliance for Human Needs and Human Rights and Subsidiaries, Inc. at that time were forgiven, and the related gain of \$2,372,205 has been recognized as a gain on extinguishment of related party liabilities in the accompanying statement of activities.

8. CONTRIBUTIONS OF NONFINANCIAL ASSETS

For the year ended June 30, 2024, contributed nonfinancial assets recognized within the statement of activities included the following:

Mental health services	\$	260,278
Social services		206,733
Legal services		677,624
Management and other professional services		111,568
Vehicle		13,867
		<hr/>
	\$	<u>1,270,070</u>

Contributed mental health services and social services are provided by specially trained educators and counselors who assist in helping clients develop and enhance their skills through group workshops and webinars. Contributed mental health services and social services are used in program services and are recognized at fair value based on current rates for similar mental health and social services.

Contributed legal services are provided by attorneys who advise HAI on various administrative legal matters. Contributed legal services are used for management and general activities and are recognized at fair value based on current rates for similar legal services.

All contributed nonfinancial assets received during the year ended June 30, 2024, were without donor restrictions.

HEARTLAND ALLIANCE INTERNATIONAL, LLC

Notes to Financial Statements

June 30, 2024

9. EMPLOYEE BENEFITS

HAI sponsors a 401(k) Savings Plan (the Plan) covering substantially all full-time employees. The plan provides that full time employees who have completed one month of service and long-term part time employees who have completed three consecutive years with at least 500 hours of service in each year and have attained the age of 21 to be eligible for the Plan. Eligible employees may contribute to the Plan, up to the maximum contribution allowed by the IRS. Employer contributions are discretionary and are determined and authorized by the Board of Directors each plan year. During the year ended June 30, 2024, HAI contributed \$61,253 to the Plan.

10. PRIOR PERIOD ADJUSTMENT

It was determined by management that the 2023 net asset classifications were incorrect. Accordingly, an adjustment was made to beginning net assets without donor restrictions and beginning net assets with donor restrictions as of July 1, 2023, to correct the error. Total net assets as of June 30, 2023 remain unchanged.

11. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through September 22, 2025, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.