

HEARTLAND ALLIANCE INTERNATIONAL, INC.

Financial Statements
With Independent Auditor's Report

June 30, 2025 and 2024



HEARTLAND ALLIANCE INTERNATIONAL, INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Heartland Alliance International, Inc.
Chicago, Illinois

Opinion

We have audited the accompanying financial statements of Heartland Alliance International, Inc., which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years 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, Inc., as of June 30, 2025 and 2024, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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, Inc., 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 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, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Board of Directors
Heartland Alliance International, Inc.
Chicago, Illinois

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, Inc.'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, Inc.'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.

Capin Crouse LLC

Naperville, Illinois
February 13, 2026

HEARTLAND ALLIANCE INTERNATIONAL, INC.

Statements of Financial Position

	June 30,	
	<u>2025</u>	<u>2024</u>
ASSETS:		
Cash and cash equivalents	\$ 1,546,096	\$ 596,915
Grants receivable	1,350,001	1,609,738
Prepaid expenses and other assets	139,682	108,731
Property and equipment, net	<u>236,804</u>	<u>261,913</u>
Total Assets	<u>\$ 3,272,583</u>	<u>\$ 2,577,297</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 222,690	\$ 559,286
Accrued liabilities	502,176	657,529
Refundable advances	<u>587,253</u>	<u>827,367</u>
Total liabilities	<u>1,312,119</u>	<u>2,044,182</u>
Net assets:		
Without donor restrictions	965,734	(289,028)
With donor restrictions	<u>994,730</u>	<u>822,143</u>
Total net assets	<u>1,960,464</u>	<u>533,115</u>
Total Liabilities and Net Assets	<u>\$ 3,272,583</u>	<u>\$ 2,577,297</u>

See notes to financial statements

HEARTLAND ALLIANCE INTERNATIONAL, INC.

Statements of Activities

	Year Ended June 30,					
	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Grants and contracts	\$ -	\$ 13,551,333	\$ 13,551,333	\$ -	\$ 17,496,991	\$ 17,496,991
Contributions	376,973	537,474	914,447	31,721	487,480	519,201
Contributions of nonfinancial assets	847,073	-	847,073	1,270,070	-	1,270,070
Gain on extinguishment of related party liabilities	-	-	-	2,372,205	-	2,372,205
Other income (loss)	482,630	-	482,630	(80,216)	-	(80,216)
Total Support and Revenue	1,706,676	14,088,807	15,795,483	3,593,780	17,984,471	21,578,251
NET ASSETS RELEASED:						
From purpose restrictions	13,916,220	(13,916,220)	-	17,988,875	(17,988,875)	-
EXPENSES:						
Program services	11,550,132	-	11,550,132	16,058,097	-	16,058,097
Supporting activities:						
Management and general	2,713,014	-	2,713,014	3,347,048	-	3,347,048
Fundraising	104,988	-	104,988	564,941	-	564,941
Total Expenses	14,368,134	-	14,368,134	19,970,086	-	19,970,086
Change in Net Assets	1,254,762	172,587	1,427,349	1,612,569	(4,404)	1,608,165
Net Assets, Beginning of Year	(289,028)	822,143	533,115	(1,901,597)	826,547	(1,075,050)
Net Assets, End of Year	\$ 965,734	\$ 994,730	\$ 1,960,464	\$ (289,028)	\$ 822,143	\$ 533,115

See notes to financial statements

HEARTLAND ALLIANCE INTERNATIONAL, INC.

Statement of Functional Expenses

Year Ended June 30, 2025

	Program Services	Supporting Activities:		Total
		Management and General	Fundraising	
Salaries and benefits	\$ 6,161,690	\$ 1,733,534	\$ 76,379	\$ 7,971,603
Professional services	2,123,593	598,096	8,278	2,729,967
Participant support and supplies	1,326,238	43,027	-	1,369,265
Subrecipient grants	873,800	41,441	-	915,241
Office expenses	363,641	181,319	17,941	562,901
Occupancy and equipment	371,654	20,552	-	392,206
Travel	251,382	25,021	2,390	278,793
Insurance	78,134	38,390	-	116,524
Depreciation	-	25,109	-	25,109
Other	-	6,525	-	6,525
	<u>\$ 11,550,132</u>	<u>\$ 2,713,014</u>	<u>\$ 104,988</u>	<u>\$ 14,368,134</u>

See notes to financial statements

HEARTLAND ALLIANCE INTERNATIONAL, INC.

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
Subrecipient grants	525,083	-	-	525,083
Office expenses	674,747	63,969	17,137	755,853
Occupancy and equipment	539,965	13,944	5,117	559,026
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, INC.

Statements of Cash Flows

	June 30,	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,427,349	\$ 1,608,165
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	25,109	35,142
Donated property and equipment	-	(24,482)
Gain on extinguishment of related party liabilities	-	(2,372,205)
Changes in:		
Grants receivable	259,737	504,294
Prepaid expenses and other assets	(30,951)	467,944
Accounts payable	(336,596)	118,477
Accrued liabilities	(155,353)	(1,203,072)
Refundable advances	(240,114)	(366,656)
Net Cash Provided (Used) by Operating Activities	<u>949,181</u>	<u>(1,232,393)</u>
Change in Cash and Cash Equivalents	949,181	(1,232,393)
Cash and Cash Equivalents, Beginning of Year	<u>596,915</u>	<u>1,829,308</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,546,096</u>	<u>\$ 596,915</u>

See notes to financial statements

HEARTLAND ALLIANCE INTERNATIONAL, INC.

Notes to Financial Statements

June 30, 2025 and 2024

1. NATURE OF ORGANIZATION:

Heartland Alliance International, Inc., (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, 2025 and 2024, HAI's cash and cash equivalents exceeded federally insured limits by approximately \$1,301,000 and \$436,000, respectively.

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. Therefore, no allowance for uncollectible receivables has been recorded as of June 30, 2025 and 2024.

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.

HEARTLAND ALLIANCE INTERNATIONAL, INC.

Notes to Financial Statements

June 30, 2025 and 2024

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

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, 2025 and 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.

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 statements 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 statements of functional expenses.

HEARTLAND ALLIANCE INTERNATIONAL, INC.

Notes to Financial Statements

June 30, 2025 and 2024

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

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 statements of activities as a gain on extinguishment of related party liabilities.

OTHER INCOME

Other income is recognized as it is earned and consists of interest income and other gains.

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.

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. Estimates particularly susceptible to change include depreciation of property and equipment, valuation of contributed nonfinancial assets, and allocation of expenses on a functional basis. Actual results could differ from those estimates.

HEARTLAND ALLIANCE INTERNATIONAL, INC.

Notes to Financial Statements

June 30, 2025 and 2024

3. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following table reflects HAI's financial assets, 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.

	June 30,	
	<u>2025</u>	<u>2024</u>
Financial assets:		
Cash and cash equivalents	\$ 1,546,096	\$ 596,915
Grants receivable	1,350,001	1,609,738
Financial assets, at year-end	<u>2,896,097</u>	<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>-</u>	<u>(50,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,896,097</u>	<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. \$994,730 and \$772,143 of donor restricted amounts have been included as financial assets available to meet cash needs for general expenditures within one year as of June 30, 2025 and 2024, respectively, as management considers these amounts to be available for general expenditures within the next twelve months for ongoing programs.

HEARTLAND ALLIANCE INTERNATIONAL, INC.

Notes to Financial Statements

June 30, 2025 and 2024

4. PROPERTY AND EQUIPMENT, NET:

Property and equipment, net, consists of:

	June 30,	
	2025	2024
Land	\$ 31,365	\$ 31,365
Building and improvements	568,485	568,485
Vehicles, equipment, and other	25,867	25,867
	<u>625,717</u>	<u>625,717</u>
Less accumulated depreciation	<u>(388,913)</u>	<u>(363,804)</u>
	<u>\$ 236,804</u>	<u>\$ 261,913</u>

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 70% and 60% of total revenue for the years ended June 30, 2025 and 2024, respectively. More specifically, the Department of State accounted for approximately 46% and 36% of total revenue for the years ended June 30, 2025 and 2024, respectively, and USAID accounted for approximately 12% and 17% of total revenue for the years ended June 30, 2025 and 2024, respectively. 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.

6. 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 statements 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 statements of activities.

HEARTLAND ALLIANCE INTERNATIONAL, INC.

Notes to Financial Statements

June 30, 2025 and 2024

7. CONTRIBUTIONS OF NONFINANCIAL ASSETS:

Contributed nonfinancial assets recognized within the statements of activities included the following:

	June 30,	
	2025	2024
Mental health services	\$ 314,605	\$ 260,278
Social services	275,399	206,733
Legal services	232,870	677,624
Management and other professional services	24,199	111,568
Other	-	13,867
	<u>\$ 847,073</u>	<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 years ended June 30, 2025 and 2024, were without donor restrictions.

8. 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 years ended June 30, 2025 and 2024, HAI contributed \$75,981 and \$61,253 to the Plan, respectively.

9. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through February 13, 2026, which represents the date the financial statements were available to be issued, and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.