

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Menasha, Wisconsin

Consolidated Financial Statements and Supplementary Information

Years Ended December 31, 2014 and 2013

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Consolidated Financial Statements and Supplementary Information

Years Ended December 31, 2014 and 2013

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Independent Auditor's Report

Board of Directors
Goodwill Industries of North Central Wisconsin, Inc.
Menasha, Wisconsin

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries (the "Organization") which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the related consolidated statements of activities, cash flows, and functional expenses 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; 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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. The financial statements of Financial Information & Service Center, Inc. (FISC), Money Management Education Associates (MMEA), and Goodwill Industries Development Corporation were not audited in accordance with *Government Auditing Standards*.

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 financial position of Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries as of December 31, 2014 and 2013, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information appearing on pages 31 through 46; and pages 47 and 48 which are presented as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Guidelines*, issued by the Wisconsin Department of Administration, is presented for purposes of additional analysis, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2015, on our consideration of Goodwill Industries of North Central Wisconsin, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Goodwill Industries of North Central Wisconsin, Inc.'s internal control over financial reporting and compliance.



Wipfli LLP

May 15, 2015

Madison, Wisconsin

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Consolidated Statements of Financial Position

December 31, 2014 and 2013

<i>Assets</i>	2014	2013
Current assets:		
Cash and cash equivalents	\$ 10,784,306	\$ 8,484,097
Accounts receivable - Net	864,515	1,336,845
Inventories	10,294,337	12,146,466
Prepaid expenses and other	406,834	396,884
Total current assets	22,349,992	22,364,292
Assets limited as to use	941,515	937,129
Property and equipment - Net	53,443,918	54,940,359
Interest in Community Foundations	1,077,282	1,056,774
Other assets:		
Deferred compensation	1,774,292	1,604,672
Deferred financing costs - Net	566,243	612,906
Total other assets	2,340,535	2,217,578
TOTAL ASSETS	\$ 80,153,242	\$ 81,516,132

See accompanying notes to consolidated financial statements.

<i>Liabilities and Net Assets</i>	2014	2013
Current liabilities:		
Current maturities of long-term debt	\$ 2,267,114	\$ 2,232,641
Accounts payable	1,814,136	2,311,351
Accrued and other liabilities:		
Payroll	1,534,887	1,421,876
Other	1,270,359	1,155,783
Total current liabilities	6,886,496	7,121,651
Long-term liabilities:		
Long-term debt	25,771,173	28,031,163
Deferred compensation	1,774,292	1,604,672
Other - Fair value of interest rate swap agreements	2,308,371	2,151,931
Total long-term liabilities	29,853,836	31,787,766
Total liabilities	36,740,332	38,909,417
Net assets:		
Unrestricted	42,848,900	42,119,152
Temporarily restricted	364,733	290,286
Permanently restricted	199,277	197,277
Total net assets	43,412,910	42,606,715
TOTAL LIABILITIES AND NET ASSETS	\$ 80,153,242	\$ 81,516,132

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Consolidated Statement of Activities

Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenue:				
Public support:				
Government fees and grants	\$ 2,712,745	\$ 0	\$ 0	\$ 2,712,745
Contributions	1,137,779	324,536	2,000	1,464,315
Total public support	3,850,524	324,536	2,000	4,177,060
Revenue:				
Retail sales	48,011,242	0	0	48,011,242
Outlet store sales	1,069,668	0	0	1,069,668
Post-retail sales	5,980,478	0	0	5,980,478
E-Commerce	2,753,885	0	0	2,753,885
Contractivity	219,124	0	0	219,124
Accounting and leased employee services	0	0	0	0
Program fees	1,184,861	0	0	1,184,861
Rental income	231,392	0	0	231,392
Miscellaneous	84,793	0	0	84,793
Total revenue	59,535,443	0	0	59,535,443
Net assets released from donor restrictions	257,121	(257,121)	0	0
Total public support and revenue	63,643,088	67,415	2,000	63,712,503
Expenses:				
Program services	53,891,342	0	0	53,891,342
Management and general	8,510,348	0	0	8,510,348
Fund-raising	199,498	0	0	199,498
Total expenses	62,601,188	0	0	62,601,188
Excess of revenue over expenses	1,041,900	67,415	2,000	1,111,315
Other nonoperating activities:				
Change in interest in Community Foundations	11,476	7,032	0	18,508
Loss on disposal of property and equipment	(186,348)	0	0	(186,348)
Investment income	19,160	0	0	19,160
Change in fair value of interest rate swap	(156,440)	0	0	(156,440)
Total other nonoperating activities	(312,152)	7,032	0	(305,120)
Change in net assets	729,748	74,447	2,000	806,195
Net assets at beginning	42,119,152	290,286	197,277	42,606,715
Net assets at end	\$ 42,848,900	\$ 364,733	\$ 199,277	\$ 43,412,910

See accompanying notes to consolidated financial statements.

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Consolidated Statement of Activities

Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenue:				
Public support:				
Government fees and grants	\$ 3,285,556	\$ 0	\$ 0	\$ 3,285,556
In-kind contributions	2,143,158	0	0	2,143,158
Contributions	1,259,210	259,326	0	1,518,536
Total public support	6,687,924	259,326	0	6,947,250
Revenue:				
Retail sales	46,441,656	0	0	46,441,656
Outlet store sales	823,301	0	0	823,301
Post-retail sales	5,571,293	0	0	5,571,293
E-Commerce	2,150,260	0	0	2,150,260
Contractivity	277,266	0	0	277,266
Accounting and leased employee services	367,775	0	0	367,775
Program fees	1,436,776	0	0	1,436,776
Rental income	255,437	0	0	255,437
Miscellaneous	73,136	0	0	73,136
Total revenue	57,396,900	0	0	57,396,900
Net assets released from donor restrictions	278,232	(278,232)	0	0
Total public support and revenue	64,363,056	(18,906)	0	64,344,150
Expenses:				
Program services	51,713,330	0	0	51,713,330
Management and general	9,173,476	0	0	9,173,476
Fund-raising	179,698	0	0	179,698
Total expenses	61,066,504	0	0	61,066,504
Excess of revenue over expenses	3,296,552	(18,906)	0	3,277,646
Other nonoperating activities:				
Change in interest in Community Foundations	171,028	25,981	(51,552)	145,457
Loss on disposal of property and equipment	(46,571)	0	0	(46,571)
Investment income	10,491	0	0	10,491
Change in fair value of interest rate swaps	1,484,071	0	0	1,484,071
Total other nonoperating activities	1,619,019	25,981	(51,552)	1,593,448
Change in net assets	4,915,571	7,075	(51,552)	4,871,094
Net assets at beginning	37,203,581	283,211	248,829	37,735,621
Net assets at end	\$ 42,119,152	\$ 290,286	\$ 197,277	\$ 42,606,715

See accompanying notes to consolidated financial statements.

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

Years Ended December 31, 2014 and 2013

	2014	2013
Change in cash and cash equivalents:		
Cash flows from operating activities:		
Change in net assets	\$ 806,195	\$ 4,871,094
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Provision for depreciation and amortization	3,194,472	2,925,381
Change in fair value of interest rate swap agreements	156,440	(1,484,071)
Loss on sale of property and equipment	186,348	46,571
Bad debt expense	12,656	69,543
Change in interest in Community Foundations	(18,508)	(145,457)
Changes in operating assets and liabilities:		
Accounts receivable - Net	459,674	(358,550)
Inventories	1,852,129	(1,718,866)
Prepaid expenses and other	(9,950)	(83,854)
Accounts payable	(497,215)	(422,199)
Accrued and other liabilities	227,587	259,431
Total adjustments	5,563,633	(912,071)
Net cash provided by operating activities	6,369,828	3,959,023
Cash flows from investing activities:		
Capital expenditures for property and equipment	(2,023,992)	(2,163,593)
Increase in assets limited as to use	(4,386)	(271,597)
Proceeds from sale of property and equipment	186,276	2,758
Contribution to Community Foundations	(2,000)	(1,000)
Net cash used in investing activities	(1,844,102)	(2,433,432)

See accompanying notes to consolidated financial statements.

	2014	2013
Cash flows from financing activities:		
Principal payments on long-term debt	(2,225,517)	(2,189,796)
Debt issuance costs	0	(3,935)
Net cash used in financing activities	(2,225,517)	(2,193,731)
Change in cash and cash equivalents	2,300,209	(668,140)
Cash and cash equivalents at beginning	8,484,097	9,152,237
Cash and cash equivalents at end	\$ 10,784,306	\$ 8,484,097

Supplemental cash flow information:

Cash paid for interest	\$ 1,143,868	\$ 1,165,149
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Noncash financing and investing activities:

Change in assets held on behalf of employees in the deferred compensation plan	169,620	400,597
Property and equipment acquired that was financed with debt	0	1,975,636

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Consolidated Statement of Functional Expenses

Year Ended December 31, 2014

	Retail Services	Other Program Services	Fund-Raising	Management and General	Total
Expenses:					
Salaries - Clients	\$ 712,746	\$ 538,569	\$ 0	\$ 16,157	\$ 1,267,472
Salaries - Staff	17,715,813	4,244,829	145,323	4,579,859	26,685,824
Fringe benefits	6,122,475	1,417,607	48,489	1,373,630	8,962,201
Cost of sales	7,123,328	152,447	0	0	7,275,775
Administrative fees	1,275,539	157,644	0	590,378	2,023,561
Bad debts	0	12,656	0	0	12,656
Industrial supplies	809,251	81,294	699	37,184	928,428
Janitorial supplies	188,325	16,144	0	6,729	211,198
Telephone	149,759	47,032	187	65,908	262,886
Postage and shipping	1,696,901	20,068	1,534	21,402	1,739,905
Rent	719,395	39,344	0	0	758,739
Insurance	244,922	11,784	0	33,590	290,296
Interest	1,265,100	0	0	81,420	1,346,520
Property and other taxes	127,281	2,377	25	664	130,347
Advertising	761,048	20,959	0	123,573	905,580
Outside printing	13,912	19,881	(190)	18,707	52,310
Travel	682,611	221,087	266	172,425	1,076,389
Equipment rent	194,518	1,077	0	2,238	197,833
Trash removal	450,728	3,796	0	668	455,192
Conferences and meetings	6,975	17,672	285	18,582	43,514
Utilities	1,205,093	26,526	0	110,468	1,342,087
Tools	331,389	39,634	1,297	60,042	432,362
Repairs and maintenance - Land and building	556,221	253,330	0	45,988	855,539
Repairs and maintenance - Equipment	363,518	10,739	0	81,998	456,255
Referrals	5,673	850,808	0	0	856,481
Miscellaneous	35,018	403,820	86	155,635	594,559
In-kind donations	0	2,800	0	0	2,800
Dues and subscriptions	16,553	20,659	0	202,795	240,007
Depreciation and amortization	2,367,411	115,256	1,497	710,308	3,194,472
Total expenses	\$ 45,141,503	\$ 8,749,839	\$ 199,498	\$ 8,510,348	\$ 62,601,188

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Consolidated Statement of Functional Expenses

Year Ended December 31, 2013

	Retail Services	Other Program Services	Fund-Raising	Management and General	Total
Expenses:					
Salaries - Clients	\$ 686,835	\$ 517,038	\$ 0	\$ 18,365	\$ 1,222,238
Salaries - Staff	16,301,201	5,186,468	122,007	4,976,580	26,586,256
Fringe benefits	5,715,941	1,731,286	40,374	1,532,137	9,019,738
Cost of sales	5,746,058	364,971	0	0	6,111,029
Administrative fees	1,286,214	236,023	0	636,229	2,158,466
Bad debts	0	69,543	0	0	69,543
Industrial supplies	741,059	110,148	714	35,572	887,493
Janitorial supplies	167,779	20,644	0	13,606	202,029
Telephone	151,277	54,666	192	68,692	274,827
Postage and shipping	1,439,577	19,854	810	26,706	1,486,947
Rent	716,506	21,982	0	0	738,488
Insurance	216,882	17,726	0	26,990	261,598
Interest	1,298,138	0	0	85,857	1,383,995
Property and other taxes	98,385	4,387	0	243	103,015
Advertising	874,134	21,229	0	91,794	987,157
Outside printing	24,298	10,849	5,939	18,813	59,899
Travel	674,808	298,014	1,913	194,260	1,168,995
Equipment rent	279,848	823	0	1,468	282,139
Trash removal	399,889	3,794	0	0	403,683
Conferences and meetings	10,666	9,911	717	38,687	59,981
Utilities	1,115,232	33,633	0	108,522	1,257,387
Tools	510,579	32,895	0	85,507	628,981
Repairs and maintenance - Land and building	479,545	185,543	0	41,030	706,118
Repairs and maintenance - Equipment	319,071	19,665	0	78,050	416,786
Referrals	0	801,068	0	0	801,068
Miscellaneous	35,049	358,335	0	194,702	588,086
In-kind donations	0	40,204	4,776	0	44,980
Dues and subscriptions	7,436	19,823	0	202,942	230,201
Depreciation and amortization	2,108,811	117,590	2,256	696,724	2,925,381
Total expenses	\$ 41,405,218	\$ 10,308,112	\$ 179,698	\$ 9,173,476	\$ 61,066,504

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1 Summary of Significant Accounting Policies

Organization Activity

The consolidated financial statements include the accounts of Goodwill Industries of North Central Wisconsin, Inc. ("Goodwill Industries"), Financial Information & Service Center, Inc. (FISC), Money Management Education Associates (MMEA), and Goodwill Industries Development Corporation, collectively referred to as the Organization. Goodwill Industries exists to improve the community by improving the lives of its people through services, partnership, collaboration, and the responsible use of community resources. Goodwill Industries' support comes primarily from retail sales in 26 retail locations throughout north central Wisconsin, contributions, and fees and grants from governmental agencies.

FISC is a nonprofit, Wisconsin corporation organized for the purpose of assisting and educating people in the management of personal finances through the following:

- Counseling and educating individuals, primarily with negative net worth, about finances including money management, debt, credit, and withholding taxes.
- Assisting individuals in their debt management with consumer creditors.
- Providing money management information, basic investment education, and successful planning for the future to people primarily having a positive net worth.

MMEA is a nonprofit Wisconsin corporation organized to equip people to take responsibility for their financial well-being through financial education, planning, and personal management services.

Goodwill Industries Development Corporation exists to hold title to certain real estate and to further the work done by Goodwill Industries.

Principles of Consolidation

The Goodwill organizations have common board members and management and are, therefore, consolidated. All significant intercompany accounts and transactions have been eliminated in preparing the consolidated financial statements.

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Basis of Presentation

The Organization prepares its consolidated financial statements in conformity with accounting principles generally accepted in the United States. These principles state that net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization are classified and reported as follows:

- Unrestricted net assets are the net assets of the Organization that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.
- Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose.
- Permanently restricted net assets are those restricted by donors to be maintained by the Organization in perpetuity.

Use of Estimates in Preparation of Financial Statements

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

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1 **Summary of Significant Accounting Policies (Continued)**

Accounts Receivable - Net

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the consolidated financial statements.

Assets Limited as to Use

Assets limited as to use primarily include cash and cash equivalents designated for specific purposes by donors, health and dental fund accounts, and funds held in trust for clients receiving financial services.

Inventories

Inventories of new goods that are purchased are valued at the lower of cost, determined on the first-in, first-out (FIFO) method, or market.

The Organization receives a substantial amount of donated goods during the year. At the end of its fiscal year, the Organization estimates the value of donated goods on hand and records the amount as inventory with a corresponding adjustment to contributions by applying two methodologies used by other Goodwill organizations.

- Donated goods in inventory in the warehouse and stockrooms are valued by applying an average cost per container depending upon the classification. The average cost per classification is calculated by analyzing the sales price for containers holding similar goods.
- Donated goods located on the sales floor in each store are valued by calculating an average of one month's worth of donated sales using the last three months of donated sales.

It is not practical to determine the fair value of goods donated during the course of the year. At December 31, 2014 and 2013, approximately 88% and 92%, respectively, of inventories were composed of donated goods.

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Property, Equipment, and Depreciation

Property and equipment acquisitions are valued at cost or, if donated, at fair market value at date of donation. Maintenance and repair costs are charged to expense as incurred. Gains or losses on disposition of property and equipment are reflected in revenue or expense. Depreciation is computed on the straight-line method for financial reporting purposes based on the estimated useful lives of the respective assets. Estimated useful lives range from 5 to 15 years for major movable equipment and 5 to 40 years for land improvements, buildings, and fixed equipment.

Deferred Financing Costs

Unamortized bond issuance costs related to issuance of long-term debt are amortized over the life of the related debt using the straight-line method. Net deferred financing costs as of December 31, 2014 and 2013, were \$566,243 and \$612,906, respectively, with accumulated amortization of \$260,095 and \$213,432, respectively. Amortization expense was \$46,663 and \$46,537 during 2014 and 2013, respectively.

Contributions and Unconditional Promises to Give

Contributions are considered to be available for unrestricted uses unless specifically restricted by the donor. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying consolidated financial statements.

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, less an allowance for promises estimated to be uncollectible. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of donated assets.

The Organization reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

In-kind Contributions

In-kind contributions represent the net increase in donated inventory on hand at December 31. When the net change in donated inventory is a decrease, the change is reported in cost of sales on the consolidated statement of functional expenses. Sales of donated inventory are recognized when the transaction occurs and are reported in retail sales on the consolidated statements of activities.

Deferred Compensation

Deferred compensation consists of funds held for the benefit of organizational officers. The plan is fully funded and is invested primarily in equity mutual funds, fixed income mutual funds, and cash equivalents which are reported at fair value. The accompanying consolidated financial statements include an asset and corresponding liability associated with this plan.

Interest Rate Swap Agreements

Derivative instruments are used to manage risk related to interest rate movements. Several outstanding interest rate swap agreements have been designated and qualify as cash flow hedges and are reported at fair value. The agreements are deemed to be fully effective; therefore, the change in fair value of the agreements is included as other nonoperating activity on the consolidated statements of activities. At the inception of each agreement, the risk management strategy and the hedge's effectiveness are documented. The interest rate risk management strategy is to stabilize cash flow requirements by maintaining the interest rate swaps to convert variable-rate debt to a fixed rate.

Functional Allocation of Expenses

Expenses are charged to each program based on direct expenditures incurred. Support service expenses are allocated to program services systematically based on the program benefited. The Organization considers all of the programs and services offered to be functionally related.

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Uncertain Tax Positions

The Organization is required to assess whether it is more likely than not that a tax position will be sustained upon examination on the technical merits of the position assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the financial statements. The Organization has determined there are no amounts to record as assets or liabilities related to uncertain tax positions. Federal tax returns, including IRS forms 990 and 990-T, for the years ended 2011, 2012, and 2013, remain subject to examination by the Internal Revenue Service. Tax returns have not yet been filed for the year ended 2014.

Tax Status

The Organization is comprised of four nonprofit organizations as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The entities are also exempt from state income taxes on related income.

Reclassifications

Certain 2013 revenues have been reclassified to conform with 2014 presentation. There was no effect on net assets or the change in net assets.

Advertising Costs

Advertising costs are expensed as incurred.

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 2 **Accounts Receivable - Net**

Accounts receivable consisted of the following at December 31:

	<u>2014</u>	<u>2013</u>
Program and contracts receivable	\$ 947,134	\$ 1,419,464
Less - Allowance for doubtful accounts	82,619	82,619
<u>Accounts receivable - Net</u>	<u>\$ 864,515</u>	<u>\$ 1,336,845</u>

Note 3 **Assets Limited as to Use**

Assets limited as to use consisted of the following at December 31:

	<u>2014</u>	<u>2013</u>
Health and dental insurance cash reserve fund for future claims	\$ 482,194	\$ 574,354
Payment partner funds	457,105	360,765
Other	2,216	2,010
<u>Total assets limited as to use</u>	<u>\$ 941,515</u>	<u>\$ 937,129</u>

Note 4 **Interest in Community Foundations**

As of December 31, 2014 and 2013, funds with a fair value totaling \$1,077,282 and \$1,056,774, respectively, are being held for the use and future benefit of Goodwill Industries at the following foundations: Community Foundation for the Fox Valley Region, Greater Green Bay Community Foundation, Inc., South Wood County Community Foundation, Community Foundation of North Central Wisconsin, La Crosse Community Foundation, Oshkosh Area Community Foundation, Stevens Point Area Foundation, Eau Claire Area Foundation, Shawano Area Community Foundation, Inc., and Waupaca Area Community Foundation (collectively referred to as the "Community Foundations").

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 4 Interest in Community Foundations (Continued)

In a prior year, Goodwill Industries transferred funds to each community foundation; accordingly, the value of these funds is included in the accompanying consolidated statements of financial position. In addition, donor restricted endowments were established for the benefit of Goodwill Industries. All changes in the value of the funds transferred by Goodwill Industries are considered changes in unrestricted net assets. All changes in the value of the donor restricted endowment funds are recorded as temporarily restricted in accordance with the standards applicable to endowments as described in Note 6. The accompanying consolidated financial statements include an increase in interest in Community Foundations of \$18,508 and \$145,457 in 2014 and 2013, respectively.

Goodwill Industries has granted variance power to the various foundations. As such, the Boards of Directors of the various foundations have the power to modify any restriction or condition on the distribution of funds, if in their judgment, such restrictions become inconsistent with the charitable needs of Goodwill Industries or inconsistent with the charitable needs served by the foundations. In the opinion of Goodwill Industries, the likelihood of modification of any use restriction is remote.

Annually, the Community Foundations determine amounts available for distribution to Goodwill Industries based on various distribution policies of their respective foundations. Goodwill Industries can elect to receive these distributions or leave them in the fund balance of the respective funds at the Community Foundations.

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 5 Property and Equipment - Net

Property and equipment consisted of the following at December 31:

	2014	2013
Land and land improvements	\$16,722,915	\$15,836,392
Buildings and improvements	45,489,670	43,985,606
Furniture and equipment	15,008,434	13,649,734
Construction in progress	195,750	2,569,778
Total property and equipment	77,416,769	76,041,510
Less - Accumulated depreciation	23,972,851	21,101,151
Property and equipment, net	\$53,443,918	\$54,940,359

Construction in progress as of December 31, 2014 and 2013, consists of costs to purchase and construct store locations throughout Wisconsin as well as remodeling and updating of current locations.

Note 6 Endowment

The Organization's endowment consists of a fund established to benefit the Organization for a variety of purposes established by donor restrictions. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed stipulations. The endowment is included in the Interest in Community Foundations on the statement of financial position.

The Board of Directors believes the Uniform Prudent Management of Institutional Funds Act (UPMIFA) is the relevant state law governing its endowment funds. The Board of Directors has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 6 Endowment (Continued)

As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of the donor's gifts to the permanent endowment, (b) the original value of a donor's subsequent gifts to the permanent restricted endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets will be classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to preserve the purchasing power of the endowment assets.

Under the Organization's investment policy, as approved by the Board of Directors, the endowment assets are invested in a manner to protect principal, grow the aggregate portfolio value in excess of the rate of inflation and achieve an effective annual rate of return that is equal to or greater than the designated benchmarks for the various types of investment vehicles, and ensure that any risk assumed is commensurate with the given investment vehicle and the Organization's objectives. To achieve its investment goals, the Organization targets an asset allocation that will achieve a balanced return of current income and long-term growth of principal while exercising risk control.

The Organization's asset allocations include a blend of equity and debt securities and cash equivalents. Interest, dividends, and net appreciation in fair value of endowment funds on donor-restricted endowment funds are classified as temporarily restricted net assets until appropriated for distribution at the discretion of the Board of Directors.

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 6 Endowment (Continued)

Changes in endowment funds were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowments at January 1, 2013	\$ 0	\$ 4,594	\$ 248,829	\$ 253,423
Net appreciation (depreciation)	0	25,981	(51,552)	(25,571)
Contributions	0	0	0	0
Endowments at December 31, 2013	0	30,575	197,277	227,852
Net appreciation (depreciation)	0	7,032	0	7,032
Contributions	0	0	2,000	2,000
Endowments at December 31, 2014	\$ 0	\$ 37,607	\$ 199,277	\$ 236,884

Note 7 Line of Credit

The Organization has a line of credit of \$1,000,000 with Wells Fargo Bank, with interest at the prime rate which was 3.25% at December 31, 2014. The line of credit expires October 1, 2015. The line of credit is collateralized by equipment and inventories. No amounts were outstanding on the line of credit at December 31, 2014.

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 8 Long-Term Debt

Long-term debt consisted of the following at December 31:

	2014	2013
City of Tomah, Wisconsin, Industrial Revenue Bonds, Series 2002, dated September 27, 2002, payable in monthly installments of \$36,658 including interest at 0.62% (interest rate resets in September 2017) secured by land and buildings, matures September 2022.	\$ 2,534,006	\$ 2,956,766
Wisconsin Health and Educational Facilities Authority Revenue Bonds, Series 2005, dated November 17, 2005, at variable interest rates (effective rate of 4.16% with swap agreement—Note 10), secured by land and buildings, maturing in varying amounts through November 2025.	7,650,000	8,150,000
City of Wisconsin Rapids, Wisconsin, Industrial Revenue Bonds, Series 2000, dated December 1, 2000, payable in monthly installments of \$4,223 including interest at a fixed rate of 1.86%, rate adjusted to 96% of the 5-year federal T-bill rate in January 2006, January 2011, and January 2016, (5-year federal T-bill rate at December 31, 2014, was 1.65%), secured by land and buildings, matures July 2017.	92,061	140,502
Town of Grand Chute, Wisconsin, Industrial Revenue Bonds, Series 1996, dated October 1, 1996, payable in monthly installments of \$12,904 including interest at 4.85%, secured by land and buildings, matures November 2016.	115,410	260,677
City of Appleton, Wisconsin, Industrial Revenue Bonds, Series 2006, dated April 12, 2006, payable in semiannual principal and interest installments of \$31,816 through 2016, secured by land and buildings, interest rate fixed at 4.86%.	90,987	148,107

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 8 Long-Term Debt (Continued)

Long-term debt consisted of the following at December 31:

	2014	2013
Wisconsin Health and Education Facilities Authority Revenue Bonds, Series 2008, dated May 15, 2008, at variable interest rates (effective rate of 4.16% with swap agreement—Note 10), secured by land and buildings, maturing in varying amounts through November 2028.	6,600,000	7,050,000
Wisconsin Health and Education Facilities Authority Revenue Bonds, Series 2010, dated December 1, 2010, at variable interest rates (effective rates ranging from 1.96% to 3.085% with swap agreement—Note 10), secured by land and buildings, maturing in varying amounts through December 2030.	9,656,448	10,100,877
Wisconsin Health and Education Facilities Authority Revenue Bonds, Series 2012, dated October 1, 2012, at a variable interest rate (effective rate of 1.71% with swap agreement—Note 10) secured by land and buildings, maturing in varying amounts through December 2032.	1,299,375	1,456,875
Totals	28,038,287	30,263,804
Less - Current maturities	2,267,114	2,232,641
<u>Long-term portion</u>	<u>\$25,771,173</u>	<u>\$28,031,163</u>

Certain notes described above are subject to certain performance and financial covenants. As of December 31, 2014, the Organization was in violation certain covenants, which have been waived by Wells Fargo Bank in letters dated March 10, 2015, and May 14, 2015.

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 8 Long-Term Debt (Continued)

The Organization entered into letters of credit with Wells Fargo Bank related to the Wisconsin Health and Education Facilities Authority Revenue Bonds series 2005 and 2008, totaling \$14,935,685 and \$15,416,233 at December 31, 2014 and 2013, respectively. The letters of credit are to guarantee performance in relation to bond requirements, and are secured as described above.

Scheduled principal payments on long-term debt at December 31, 2014, including current maturities, are summarized as follows:

2015	\$ 2,267,114
2016	2,174,831
2017	2,184,865
2018	2,243,753
2019	2,321,151
Thereafter	16,846,573
Total	<u>\$28,038,287</u>

Note 9 Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets consisted of the following at December 31:

	2014	2013
Contributions restricted for future periods	\$ 327,127	\$ 259,711
Other	37,606	30,575
Total temporarily restricted net assets	<u>\$ 364,733</u>	<u>\$ 290,286</u>

Permanently restricted net assets were \$199,277 and \$197,277 as of December 31, 2014 and 2013, respectively, and represent donor restricted contributions to be placed into an endowment and held for perpetuity. See Note 6 for more information.

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 10 Interest Rate Swap Agreements

Goodwill Industries entered into a master agreement with a financial institution for a blended interest rate swap transaction to reduce the impact of changes in interest rates on its variable rate long-term debt of \$11,310,000 dated November 17, 2005, and \$9,255,000 dated May 15, 2008. This agreement effectively changed the interest rate exposure on the variable rate bonds to a fixed rate of 4.16% on the 2005 and 2008 bonds as of December 31, 2014 and 2013. The interest rate swap agreement matures June 1, 2023, and is recorded at fair value, which is the amount at which it could be settled.

In 2011, two additional interest rate swap agreements were issued for the Wisconsin Health and Education Facilities Authority Revenue Bonds, Series 2010, of \$3,042,643 dated February 2, 2011, and \$1,575,000 dated July 1, 2011. This issuance effectively changed the interest rate exposure on the variable rate bond to a fixed rate of 3.085% on \$3,042,643 and 2.89% on \$1,575,000 of the bonds. These interest rate swap agreements mature February 2031, and are recorded at fair value, which is the amount at which they could be settled. These swap agreements contain swap options in which Goodwill Industries can change the maturity date. This option can only be exercised once, beginning on or after February 1, 2016.

In 2012, two additional interest rate swap agreements were issued for the Wisconsin Health and Education Facilities Authority Revenue Bonds, Series 2010, of \$2,662,500 dated January 13, 2012, and \$1,146,323 dated October 26, 2012. This issuance effectively changed the interest rate exposure on the variable rate bond to a fixed rate of 2.14% on \$2,662,500 and 1.96% on \$1,146,323 of the bonds. These interest rate swap agreements mature February 2031, and are recorded at fair value, which is the amount at which they could be settled. These swap agreements contain swap options in which Goodwill Industries can change the maturity date. This option can only be exercised once, beginning on or after February 1, 2016.

In 2013, an additional interest rate swap agreement was issued for the Wisconsin Health and Education Facilities Authority Revenue Bonds, Series 2010, of \$2,145,000 dated May 1, 2013. This issuance effectively changed the interest rate exposure on the variable rate bond to a fixed rate of 2.01%. This interest rate swap agreement matures February 2031, and is recorded at fair value, which is the amount at which it could be settled. This swap agreement contains a swap option in which Goodwill Industries can change the maturity date. This option can only be exercised once, beginning on or after February 1, 2016.

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 10 Interest Rate Swap Agreements (Continued)

Also in 2013, an interest rate swap agreement was issued for the Wisconsin Health and Education Facilities Authority Revenue Bonds, Series 2012, of \$1,456,875 dated December 5, 2013. This issuance effectively changed the interest rate exposure on the variable rate bond to a fixed rate of 1.71%. This interest rate swap agreement matures March 2023, and is recorded at fair value, which is the amount at which it could be settled. This swap agreement contains a swap option in which Goodwill Industries can change the maturity date. This option can only be exercised once, beginning on or after October 1, 2017.

The fair value of the swap agreements is recorded on the accompanying consolidated statement of financial position as a liability and totaled \$2,308,371 and \$2,151,931 as of December 31, 2014 and 2013, respectively. The interest rate swaps reflect a liability balance due to decreases in market rates since inception. For the years ended December 31, 2014 and 2013, (\$156,440) and \$1,484,071, respectively, were recorded as part of nonoperating activities in the consolidated statements of activities related to the change in the swap agreements' fair value. Goodwill Industries intends to hold the interest rate swap agreements until expiration; therefore, it does not anticipate realizing any losses related to the valuation.

Goodwill Industries is exposed to credit loss in the event of nonperformance by the counterparty to the interest rate swap agreements. However, Goodwill Industries does not anticipate nonperformance by the counterparty.

Note 11 Leases

The Organization conducts a portion of its operations in leased facilities under noncancelable operating leases. The Organization is required to pay all operating expenses, maintenance costs, repairs, and insurance on the leased facilities. Rental expense for all leases totaled approximately \$759,000 and \$738,000 for the years ended December 31, 2014 and 2013, respectively.

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 11 Leases (Continued)

Future minimum payments under the noncancelable operating leases with initial or remaining terms in excess of one year are:

2015	\$ 453,468
2016	406,559
2017	275,813
2018	266,900
2019	265,300
Thereafter	261,330
<hr/>	
Total	\$ 1,929,370

Note 12 Retirement Plans

The Organization has a defined contribution pension plan covering substantially all employees who work at least 1,000 hours during the plan year. The plan provides for a matching contribution by the Organization equal to 50% of the employee's total contribution with the maximum contribution being equal to 3% of the employee's total compensation. In addition, the Organization has a safe harbor contribution equal to 3% of the employee's total compensation. Pension expense totaled \$869,238 and \$868,893 for the years ended December 31, 2014 and 2013, respectively.

The Organization also contributes to a deferred compensation plan available for officers of the Organization. Deferred compensation expense totaled \$76,483 and \$93,927 for the years ended December 31, 2014 and 2013, respectively.

Note 13 Self-Funded Health Insurance

Goodwill Industries sponsors a self-funded health insurance plan covering certain employees and their dependents, as well as FISC employees and their dependents. The health insurance expense is based upon actual claims paid, administration fees, and provisions for unpaid and unreported claims at year-end. Employer-paid health insurance expense was approximately \$4.2 million and \$3.9 million for the years ended December 31, 2014 and 2013, respectively.

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 13 Self-Funded Health Insurance (Continued)

The Organization's exposure is limited with a stop-loss insurance policy for claims in excess of \$75,000 per insured and 125% of expected claims in the aggregate (aggregate exposure of \$5.6 million in 2014). As of December 31, 2014 and 2013, the obligation for self-funded insurance claims incurred but not reported was approximately \$467,000 and \$436,000, respectively, and is recorded in other liabilities on the consolidated statements of financial position.

Note 14 Concentration of Credit Risk

Financial instruments that potentially subject the Organization to credit risk consist principally of accounts receivable and cash deposits in excess of insured limits in financial institutions.

Accounts receivable consist of amounts due from customers or governmental agencies for services provided. The majority of Goodwill Industries' business activity is with local government funding agencies and commercial businesses located within Winnebago County and adjacent counties.

The Organization places its cash and investments with creditworthy, high-quality financial institutions to mitigate the risk caused by concentration. However, at times, these balances exceeded the amounts insured by the Federal Deposit Insurance Corporation (FDIC). Management believes these financial institutions have strong credit ratings and credit risk related to these deposits is minimal.

Fair value of the interest rate swap agreements is estimated based on quoted market prices for similar contracts. See Note 10 for more information on this arrangement.

Note 15 Contributed Services

No amounts have been reflected in the consolidated financial statements for donated services since no objective basis is available to measure the value of such services. However, a substantial number of volunteers have donated significant amounts of their time in the Organization's program services and in its fund-raising campaigns. The Organization has estimated 145,000 and 160,000 volunteer hours were contributed in 2014 and 2013, respectively.

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 16 Fair Value Measurements

This statement describes a fair value hierarchy that includes three levels of inputs to be used to measure fair value. In general, the Organization determines fair values as follows:

Level 1 determines fair value utilizing quoted market prices in active markets.

Level 2 determines fair value utilizing market information that is observable, such as quoted market prices for similar items, broker/dealer quotes, or models using market interest rates or yield curves.

Level 3 determines fair value based on valuation models and methodologies that incorporate at least one significant assumption that cannot be corroborated by observable market data. Level 3 measurements reflect the Organization's estimates about assumptions market participants would use in measuring fair value of the asset or liability.

Information regarding assets measured at fair value on a recurring basis as of December 31, 2014, is as follows:

2014	Fair Value Measurements Using			Total Assets (Liabilities) at Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Deferred compensation:				
Cash and equivalents	\$ 0	\$ 282,883	\$ 0	\$ 282,883
Equity mutual funds:				
Growth funds	786,133	0	0	786,133
Large blend funds	235,323	0	0	235,323
Value funds	206,224	0	0	206,224
Fixed income:				
Bond funds	138,521	0	0	138,521
Conservative allocation funds	125,208	0	0	125,208
Interest in Community Foundations	0	0	1,077,282	1,077,282
Totals assets	\$ 1,491,409	\$ 282,883	\$ 1,077,282	\$ 2,851,574

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 16 Fair Value Measurements (Continued)

Information regarding liabilities measured at fair value on a recurring basis as of December 31, 2014, is as follows:

2014	Fair Value Measurements Using			Total Assets (Liabilities) at Fair Value
	Level 1	Level 2	Level 3	
Liabilities:				
Interest rate swap agreements	\$ 0	\$ (2,308,371)	\$ 0	\$ (2,308,371)

Changes in Level 3 recurring measurements are as follows:

	2014	2013
Interest in Community Foundations – Beginning of the year	\$1,056,774	\$ 910,317
Contributions	2,000	1,000
Net appreciation	18,508	145,457
Interest in Community Foundations – End of the year	\$ 1,077,282	\$ 1,056,774

Information regarding assets measured at fair value on a recurring basis as of December 31, 2013, is as follows:

2013	Fair Value Measurements Using			Total Assets (Liabilities) at Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Deferred compensation:				
Cash and equivalents	\$ 0	\$ 326,081	\$ 0	\$ 326,081
Equity mutual funds:				
Growth funds	656,081	0	0	656,081
Large blend funds	151,204	0	0	151,204
Value funds	198,318	0	0	198,318
Fixed income:				
Bond funds	125,908	0	0	125,908
Conservative allocation funds	147,080	0	0	147,080
Interest in Community Foundations	0	0	1,056,774	1,056,774
Totals assets	\$ 1,278,591	\$ 326,081	\$ 1,056,774	\$ 2,661,446

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 16 Fair Value Measurements (Continued)

Information regarding liabilities measured at fair value on a recurring basis as of December 31, 2013, is as follows:

2013	Fair Value Measurements Using			Total Assets (Liabilities) at Fair Value
	Level 1	Level 2	Level 3	
Liabilities:				
Interest rate swap agreements	\$ 0	\$ (2,151,931)	\$ 0	\$ (2,151,931)

The interest in Community Foundations is comprised of funds held and invested by multiple community foundations that may be invested in cash equivalents, equities, mutual funds, or other investments. The specific composition is not determinable. The organizations investments and interest rate swap agreements are measured at fair value on a recurring basis. Following is a description of the valuation methodology used for each:

- *Cash equivalents*—The cash equivalents are measured at cost, which approximates fair value.
- *Equity funds*—The equity funds are valued at quoted market prices.
- *Fixed income funds*—The fixed income funds are valued using quotes from pricing vendors based on recent trading activity and other observable market data.
- *Interest in community foundations*—The interest in community foundations fair value measurement is based upon the market value of the underlying assets, consisting mainly of equity securities and fixed income securities, which are valued based upon either quoted market prices or based upon recent trading activity and other observable market data.
- *Interest rate swaps*—The interest rate swaps' fair value measurement is based on a discounted cash flow model that utilizes observable market data, such as market interest rates and interest rate curves.

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 17 Subsequent Events

Subsequent events have been evaluated through May 15, 2015, which is the date the consolidated financial statements were available to be issued.

In March 2015, the Organization purchased land in Plover, Wisconsin for a new retail store in the amount of \$544,000. The store will be newly constructed during the summer of 2015. On May 7, 2015, the Organization entered into a construction contract in the amount of \$1,662,903.

In April 2015, the Organization made an offer to purchase land in Oshkosh, Wisconsin for \$685,000. The Organization has until July 2015 to perform due diligence and finalize the contract.

In May 2015, the Organization entered into a construction contract in the amount of \$834,935 for remodeling of the existing store in Menasha, Wisconsin.

Supplementary Information

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Reserve Supplemental Schedule - Winnebago County

Year Ended December 31, 2014

Various Programs

1. Total units of service	<u>See below*</u>
2. Allowable expenses for rate-based service	<u>\$ 17,781</u>
3. Total revenue for rate-based service	<u>\$ 7,761</u>
4. Deficiency of revenue over expenses (line 3 less line 2)	<u>\$ (10,020)</u>
5. Total reserve from all prior periods (not including this period)	<u>\$ (822,975)</u>
6. Calculation of reserve and amounts due to purchaser:	

Purchaser (6a)	Revenue From Purchaser (6b)	Purchaser's Share of Total Revenue (6c)	First Test				Second Test					Total Amount Due to Purchaser (6m)	
			Purchaser's Share of Deficiency of Revenue (6d)	Cap on Reserve for First Test (6e)	Amount to Add to Reserve for This Period (6f)	Amount Due to Purchaser From First Test (6g)	Purchaser's Share of Reserve From Prior Periods (6h)	Purchaser's Share of Reserve From All Periods (6i)	Cap on Reserve for Second Test (6j)	Amount of Reserve (6k)	Amount Due to Purchaser From Second Test (6l)		
Winnebago County													
Human Services	\$ 7,761	100%	\$ (10,020)	\$ 388	\$ (10,020)	\$ 0	\$ (822,975)	\$ (832,995)	\$ 776	\$ (832,995)	\$ 0	\$ 0	\$ 0

*Beyond the Boundaries of Autism (BBA)

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Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Reserve Supplemental Schedule - Outagamie County

Year Ended December 31, 2014

Various Programs

1. Total units of service	<u>See below*</u>
2. Allowable expenses for rate-based service	<u>\$ 210,812</u>
3. Total revenue for rate-based service	<u>\$ 36,813</u>
4. Deficiency of revenue over expenses (line 3 less line 2)	<u>\$ (173,999)</u>
5. Total reserve from all prior periods (not including this period)	<u>\$ (856,702)</u>
6. Calculation of reserve and amounts due to purchaser:	

Purchaser (6a)	Revenue From Purchaser (6b)	Purchaser's Share of Total Revenue (6c)	Purchaser's Share of Deficiency of Revenue (6d)	First Test				Second Test				Total Amount Due to Purchaser (6m)
				Cap on Reserve for First Test (6e)	Amount to Add to Reserve for This Period (6f)	Amount Due to Purchaser From First Test (6g)	Purchaser's Share of Reserve From Prior Periods (6h)	Purchaser's Share of Reserve From All Periods (6i)	Cap on Reserve for Second Test (6j)	Amount of Reserve (6k)	Amount Due to Purchaser From Second Test (6l)	
Outagamie County Health & Human Services	\$ 36,813	100%	\$ (173,999)	\$ 1,841	\$ (173,999)	\$ 0	\$ (856,702)	\$ (1,030,701)	\$ 3,681	\$ (1,030,701)	\$ 0	\$ 0

*Work Services 7,242
Vocational Support Services (VSS) 89

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Reserve Supplemental Schedule - Calumet County

Year Ended December 31, 2014

Various Programs

1. Total units of service	<u>See below*</u>
2. Allowable expenses for rate-based service	<u>\$ 20,599</u>
3. Total revenue for rate-based service	<u>\$ 16,138</u>
4. Deficiency of revenue over expenses (line 3 less line 2)	<u>\$ (4,461)</u>
5. Total reserve from all prior periods (not including this period)	<u>\$ (251,900)</u>
6. Calculation of reserve and amounts due to purchaser:	

Purchaser (6a)	Revenue From Purchaser (6b)	Purchaser's Share of Total Revenue (6c)	First Test				Second Test				Total Amount Due to Purchaser (6m)
			Purchaser's Share of Deficiency of Revenue (6d)	Cap on Reserve for First Test (6e)	Amount to Add to Reserve for This Period (6f)	Amount Due to Purchaser From First Test (6g)	Purchaser's Share of Reserve From Prior Periods (6h)	Purchaser's Share of Reserve From All Periods (6i)	Cap on Reserve for Second Test (6j)	Amount of Reserve (6k)	

Calumet County
Department of Human
Services

	\$ 16,138	100%	\$ (4,461)	\$ 807	\$ (4,461)	\$ 0	\$ (251,900)	\$ (256,361)	\$ 1,614	\$ (256,361)	\$ 0	\$ 0
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* BBA 503
VSS 72

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Reserve Supplemental Schedule - Brown County

Year Ended December 31, 2014

Various Programs

1. Total units of service	<u>See below*</u>
2. Allowable expenses for rate-based service	<u>\$ 249,633</u>
3. Total revenue for rate-based service	<u>\$ 118,410</u>
4. Deficiency of revenue over expenses (line 3 less line 2)	<u>\$ (131,223)</u>
5. Total reserve from all prior periods (not including this period)	<u>\$ (829,945)</u>
6. Calculation of reserve and amounts due to purchaser:	

Purchaser (6a)	Revenue From Purchaser (6b)	Purchaser's Share of Total Revenue (6c)	First Test				Second Test				Total Amount Due to Purchaser (6m)	
			Purchaser's Share of Deficiency of Revenue (6d)	Cap on Reserve for First Test (6e)	Amount to Add to Reserve for This Period (6f)	Amount Due to Purchaser From First Test (6g)	Purchaser's Share of Reserve From Prior Periods (6h)	Purchaser's Share of Reserve From All Periods (6i)	Cap on Reserve for Second Test (6j)	Amount of Reserve (6k)		Amount Due to Purchaser From Second Test (6l)
Brown County Human Services Department	\$ 118,410	100%	\$ (131,223)	\$ 5,921	\$ (131,223)	\$ 0	\$ (829,945)	\$ (961,168)	\$ 11,841	\$ (961,168)	\$ 0	\$ 0

*Work Services 20,703
BBA 846

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Reserve Supplemental Schedule - Waupaca County

Year Ended December 31, 2014

Various Programs

1. Total units of service	<u>See below*</u>
2. Allowable expenses for rate-based service	<u>\$ 13,709</u>
3. Total revenue for rate-based service	<u>\$ 4,162</u>
4. Deficiency of revenue over expenses (line 3 less line 2)	<u>\$ (9,547)</u>
5. Total reserve from all prior periods (not including this period)	<u>\$ (148,655)</u>
6. Calculation of reserve and amounts due to purchaser:	

Purchaser (6a)	Revenue From Purchaser (6b)	Purchaser's Share of Total Revenue (6c)	First Test				Second Test				Total Amount Due to Purchaser (6m)	
			Purchaser's Share of Deficiency of Revenue (6d)	Cap on Reserve for First Test (6e)	Amount to Add to Reserve for This Period (6f)	Amount Due to Purchaser From First Test (6g)	Purchaser's Share of Reserve From Prior Periods (6h)	Purchaser's Share of Reserve From All Periods (6i)	Cap on Reserve for Second Test (6j)	Amount of Reserve (6k)		Amount Due to Purchaser From Second Test (6l)
Waupaca County Health and Human Services	\$ 4,162	100%	\$ (9,547)	\$ 208	\$ (9,547)	\$ 0	\$ (148,655)	\$ (158,202)	\$ 416	\$ (158,202)	\$ 0	\$ 0

*BBA 105

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Reserve Supplemental Schedule - Marathon County

Year Ended December 31, 2014

1. Total units of service	<u>See below*</u>
2. Allowable expenses for rate-based service	<u>\$ 209,023</u>
3. Total revenue for rate-based service	<u>\$ 12,469</u>
4. Deficiency of revenue over expenses (line 3 less line 2)	<u>\$ (196,554)</u>
5. Total reserve from all prior periods (not including this period)	<u>\$ (710,112)</u>
6. Calculation of reserve and amounts due to purchaser:	

Purchaser (6a)	Revenue From Purchaser (6b)	Purchaser's Share of Total Revenue (6c)	First Test				Second Test					Total Amount Due to Purchaser (6m)
			Purchaser's Share of Deficiency of Revenue (6d)	Cap on Reserve for First Test (6e)	Amount to Add to Reserve for This Period (6f)	Amount Due to Purchaser From First Test (6g)	Purchaser's Share of Reserve From Prior Periods (6h)	Purchaser's Share of Reserve From All Periods (6i)	Cap on Reserve for Second Test (6j)	Amount of Reserve (6k)	Amount Due to Purchaser From Second Test (6l)	
Marathon County Health and Human Services	\$ 12,469	100%	\$ (196,554)	\$ 623	\$ (196,554)	\$ 0	\$ (710,112)	\$ (906,666)	\$ 1,247	\$ (906,666)	\$ 0	\$ 0

*BBA 335

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Reserve Supplemental Schedule - LaCrosse County

Year Ended December 31, 2014

1. Total units of service	<u>See below*</u>
2. Allowable expenses for rate-based service	<u>\$ 51,694</u>
3. Total revenue for rate-based service	<u>\$ 16,473</u>
4. Deficiency of revenue over expenses (line 3 less line 2)	<u>\$ (35,221)</u>
5. Total reserve from all prior periods (not including this period)	<u>\$ (153,615)</u>
6. Calculation of reserve and amounts due to purchaser:	

Purchaser (6a)	Revenue From Purchaser (6b)	Purchaser's Share of Total Revenue (6c)	First Test				Second Test					Total Amount Due to Purchaser (6m)
			Purchaser's Share of Deficiency of Revenue (6d)	Cap on Reserve for First Test (6e)	Amount to Add to Reserve for This Period (6f)	Amount Due to Purchaser From First Test (6g)	Purchaser's Share of Reserve From Prior Periods (6h)	Purchaser's Share of Reserve From All Periods (6i)	Cap on Reserve for Second Test (6j)	Amount of Reserve (6k)	Amount Due to Purchaser From Second Test (6l)	
LaCrosse County Health and Human Services	\$ 16,473	100%	\$ (35,221)	\$ 824	\$ (35,221)	\$ 0	\$ (153,615)	\$ (188,836)	\$ 1,647	\$ (188,836)	\$ 0	\$ 0

*BBA 616

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Reserve Supplemental Schedule - Portage County

Year Ended December 31, 2014

1. Total units of service	<u>See below*</u>
2. Allowable expenses for rate-based service	<u>\$ 17,160</u>
3. Total revenue for rate-based service	<u>\$ 13,741</u>
4. Deficiency of revenue over expenses (line 3 less line 2)	<u>\$ (3,419)</u>
5. Total reserve from all prior periods (not including this period)	<u>\$ (522,972)</u>
6. Calculation of reserve and amounts due to purchaser:	

Purchaser (6a)	Revenue From Purchaser (6b)	Purchaser's Share of Total Revenue (6c)	First Test				Second Test					Total Amount Due to Purchaser (6m)
			Purchaser's Share of Deficiency of Revenue (6d)	Cap on Reserve for First Test (6e)	Amount to Add to Reserve for This Period (6f)	Amount Due to Purchaser From First Test (6g)	Purchaser's Share of Reserve From Prior Periods (6h)	Purchaser's Share of Reserve From All Periods (6i)	Cap on Reserve for Second Test (6j)	Amount of Reserve (6k)	Amount Due to Purchaser From Second Test (6l)	
Portage County Health and Human Services	\$ 13,741	100%	\$ (3,419)	\$ 687	\$ (3,419)	\$ 0	\$ (522,972)	\$ (526,391)	\$ 1,374	\$ (526,391)	\$ 0	\$ 0

*BBA 533

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Reserve Supplemental Schedule - Fond du Lac County

Year Ended December 31, 2014

1. Total units of service	<u>See below*</u>
2. Allowable expenses for rate-based service	<u>\$ 88,298</u>
3. Total revenue for rate-based service	<u>\$ 9,228</u>
4. Deficiency of revenue over expenses (line 3 less line 2)	<u>\$ (79,070)</u>
5. Total reserve from all prior periods (not including this period)	<u>\$ (162,326)</u>
6. Calculation of reserve and amounts due to purchaser:	

Purchaser (6a)	Revenue From Purchaser (6b)	Purchaser's Share of Total Revenue (6c)	First Test				Second Test					Total Amount Due to Purchaser (6m)
			Purchaser's Share of Deficiency of Revenue (6d)	Cap on Reserve for First Test (6e)	Amount to Add to Reserve for This Period (6f)	Amount Due to Purchaser From First Test (6g)	Purchaser's Share of Reserve From Prior Periods (6h)	Purchaser's Share of Reserve From All Periods (6i)	Cap on Reserve for Second Test (6j)	Amount of Reserve (6k)	Amount Due to Purchaser From Second Test (6l)	
Fond du Lac County Health and Human Services	\$ 9,228	100%	\$ (79,070)	\$ 461	\$ (79,070)	\$ 0	\$ (162,326)	\$ (241,396)	\$ 923	\$ (241,396)	\$ 0	\$ 0

*BBA 361

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Reserve Supplemental Schedule - Lutheran Social Services

Year Ended December 31, 2014

1. Total units of service	<u>See below*</u>
2. Allowable expenses for rate-based service	<u>\$ 70,221</u>
3. Total revenue for rate-based service	<u>\$ 20,668</u>
4. Deficiency of revenue over expenses (line 3 less line 2)	<u>\$ (49,553)</u>
5. Total reserve from all prior periods (not including this period)	<u>\$ (332,573)</u>
6. Calculation of reserve and amounts due to purchaser:	

Purchaser (6a)	Revenue From Purchaser (6b)	Purchaser's Share of Total Revenue (6c)	First Test				Second Test					Total Amount Due to Purchaser (6m)
			Purchaser's Share of Deficiency of Revenue (6d)	Cap on Reserve for First Test (6e)	Amount to Add to Reserve for This Period (6f)	Amount Due to Purchaser From First Test (6g)	Purchaser's Share of Reserve From Prior Periods (6h)	Purchaser's Share of Reserve From All Periods (6i)	Cap on Reserve for Second Test (6j)	Amount of Reserve (6k)	Amount Due to Purchaser From Second Test (6l)	
Lutheran Social Services	\$ 20,668	100%	\$ (49,553)	\$ 1,033	\$ (49,553)	\$ 0	\$ (332,573)	\$ (382,126)	\$ 2,067	\$ (382,126)	\$ 0	\$ 0

*BBA

763

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Schedule of Revenue and Expense by Funding Source and by Contract

Year Ended December 31, 2014

	Winnebago County Human Services			Total Winnebago County Human Services	Outagamie County Health & Human Services		Total Outagamie County Health & Human Services
	Early Intervention	Beyond the Boundaries of Autism	Vocational Support		Work Services		
Public support and revenue:							
Human Services Department	\$ 682,431	\$ 7,761	\$ 690,192	\$ 3,034	\$ 33,779	\$ 36,813	
Contributions	0	0	0	0	0	0	
Retail sales	0	0	0	0	108,417	108,417	
Program fees	88,858	7,307	96,165	0	0	0	
Total public support and revenue	771,289	15,068	786,357	36,142	142,196	178,338	
Expenses:							
Salaries - Clients	0	0	0	30	74,267	74,297	
Salaries - Staff	659,541	11,809	671,350	26,847	49,944	76,791	
Fringe benefits	216,253	4,003	220,256	8,766	33,819	42,585	
Office supplies	2,917	11	2,928	244	57	301	
Administrative fees	13,536	8	13,544	216	0	216	
Bad debts	0	439	439	0	0	0	
Industrial supplies	1,274	0	1,274	11	0	11	
Janitorial supplies	0	0	0	0	0	0	
Telephone	5,708	168	5,876	246	314	560	
Postage and shipping	994	3	997	21	208	229	
Rent	0	0	0	0	0	0	
Taxes	0	0	0	0	0	0	
Advertising	0	0	0	0	0	0	
Outside printing	568	0	568	0	0	0	
Travel	42,197	397	42,594	2,145	2,594	4,739	
Equipment rent	146	0	146	0	0	0	
Conferences and meetings	4,259	0	4,259	13	79	92	
Tools	0	0	0	0	0	0	
Repairs and maintenance - Equipment	777	0	777	0	0	0	
Referrals	0	0	0	0	0	0	
Miscellaneous	15	11	26	3	0	3	
In-kind donations	0	0	0	0	0	0	
Dues and subscriptions	79	0	79	0	0	0	
Depreciation and amortization	5,810	44	5,854	279	203	482	
Total direct expenses	954,074	16,893	970,967	38,821	161,485	200,306	
Allocation of support services	45,440	888	46,328	2,129	8,377	10,506	
Total expenses	999,514	17,781	1,017,295	40,950	169,862	210,812	
Change in net assets	\$ (228,225)	\$ (2,713)	\$ (230,938)	\$ (4,808)	\$ (27,666)	\$ (32,474)	

See Independent Auditor's Report.

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Schedule of Revenue and Expense by Funding Source and by Contract (Continued)

Year Ended December 31, 2014

	Calumet County Department of Human Services		Total Calumet County Department of Human Services	Brown County Human Services Department Beyond the Boundaries of Autism		Total Brown County Human Services Department
	Vocational Support	Beyond the Boundaries of Autism		Work Services	Beyond the Boundaries of Autism	
Public support and revenue:						
Human Services Department	\$ 1,789	\$ 14,349	\$ 16,138	\$ 98,447	\$ 19,963	\$ 118,410
Contributions	0	0	0	0	0	0
Retail sales	0	0	0	0	0	0
Program fees	0	1,389	1,389	0	698	698
Total public support and revenue	1,789	15,738	17,527	98,447	20,661	119,108
Expenses:						
Salaries - Clients	1	0	1	167,065	0	167,065
Salaries - Staff	1,329	12,334	13,663	34,578	16,192	50,770
Fringe benefits	434	4,181	4,615	15,416	5,489	20,905
Office supplies	12	12	24	39	16	55
Administrative fees	11	8	19	0	11	11
Bad debts	0	458	458	0	601	601
Industrial supplies	1	0	1	0	0	0
Janitorial supplies	0	0	0	0	0	0
Telephone	12	176	188	217	231	448
Postage and shipping	1	3	4	144	5	149
Rent	0	0	0	0	0	0
Taxes	0	0	0	0	0	0
Advertising	0	0	0	0	0	0
Outside printing	0	0	0	0	0	0
Travel	106	415	521	1,796	545	2,341
Equipment rent	0	0	0	0	0	0
Conferences and meetings	1	0	1	55	0	55
Tools	0	0	0	0	0	0
Repairs and maintenance - Equipment	0	0	0	0	0	0
Referrals	0	0	0	0	0	0
Miscellaneous	0	12	12	0	15	15
In-kind donations	0	0	0	0	0	0
Dues and subscriptions	0	0	0	0	0	0
Depreciation and amortization	14	46	60	141	60	201
Total direct expenses	1,922	17,645	19,567	219,451	23,165	242,616
Allocation of support services	105	927	1,032	5,800	1,217	7,017
Total expenses	2,027	18,572	20,599	225,251	24,382	249,633
Change in net assets	\$ (238)	\$ (2,834)	\$ (3,072)	\$ (126,804)	\$ (3,721)	\$ (130,525)

See Independent Auditor's Report.

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Schedule of Revenue and Expense by Funding Source and by Contract (Continued)

Year Ended December 31, 2014

	Waupaca Co.	Community		Total	Marathon County	
	HHS	Care			Health Department	
	Beyond the	Vocational	Work	Community	Beyond the	Restorative
	Boundaries	Support	Services	Care	Boundaries	Justice
	of Autism				of Autism	
Public support and revenue:						
Human Services Department	\$ 4,162	\$ 0	\$ 0	\$ 0	\$ 12,469	\$ 48,621
Contributions	0	0	0	0	0	10
Retail sales	0	0	0	0	0	0
Program fees	7,455	249,823	64,684	314,507	164,657	1,407
Total public support and revenue	11,617	249,823	64,684	314,507	177,126	50,038
Expenses:						
Salaries - Clients	0	206	117,801	118,007	0	1,184
Salaries - Staff	9,104	185,572	22,719	208,291	138,813	39,180
Fringe benefits	3,086	60,594	10,743	71,337	47,057	12,700
Office supplies	9	1,686	26	1,712	134	276
Administrative fees	6	1,490	0	1,490	92	0
Bad debts	338	0	0	0	5,156	0
Industrial supplies	0	79	0	79	0	0
Janitorial supplies	0	0	0	0	0	0
Telephone	130	1,699	143	1,842	1,977	480
Postage and shipping	3	143	94	237	39	103
Rent	0	0	0	0	0	0
Taxes	0	0	0	0	0	0
Advertising	0	0	0	0	0	0
Outside printing	0	0	0	0	0	0
Travel	306	14,829	1,180	16,009	4,672	2,320
Equipment rent	0	0	0	0	0	0
Conferences and meetings	0	93	36	129	0	300
Tools	0	0	0	0	0	533
Repairs and maintenance - Equipment	0	0	0	0	0	0
Referrals	0	0	0	0	0	0
Miscellaneous	9	0	0	0	131	24
In-kind donations	0	21	0	21	0	0
Dues and subscriptions	0	0	0	0	0	0
Depreciation and amortization	34	1,927	92	2,019	517	0
Total direct expenses	13,025	268,339	152,834	421,173	198,588	57,100
Allocation of support services	684	14,718	3,811	18,529	10,435	2,948
Total expenses	13,709	283,057	156,645	439,702	209,023	60,048
Change in net assets	\$ (2,092)	\$ (33,234)	\$ (91,961)	\$ (125,195)	\$ (31,897)	\$ (10,010)

See Independent Auditor's Report.

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Schedule of Revenue and Expense by Funding Source and by Contract (Continued)

Year Ended December 31, 2014

	Total Marathon County Health Department	Lakeland Care District		Total Lakeland Care District	Western Wisconsin Cares Work Services	Barron County Restorative Justice
		Vocational Support	Work Services			
Public support and revenue:						
Human Services Department	\$ 61,090	\$ 0	\$ 0	\$ 0	\$ 22,347	\$ 32,000
Contributions	10	0	0	0	0	0
Retail sales	0	0	0	0	0	0
Program fees	166,064	144,292	23,950	168,242	0	0
Total public support and revenue	227,164	144,292	23,950	168,242	22,347	32,000
Expenses:						
Salaries - Clients	1,184	119	47,271	47,390	34,394	0
Salaries - Staff	177,993	107,182	8,412	115,594	8,198	35,849
Fringe benefits	59,757	34,998	4,257	39,255	3,256	11,697
Office supplies	410	974	10	984	9	353
Administrative fees	92	861	0	861	0	934
Bad debts	5,156	0	0	0	0	0
Industrial supplies	0	46	0	46	0	123
Janitorial supplies	0	0	0	0	0	2
Telephone	2,457	981	53	1,034	51	995
Postage and shipping	142	82	35	117	34	104
Rent	0	0	0	0	0	1,796
Taxes	0	0	0	0	0	0
Advertising	0	0	0	0	0	56
Outside printing	0	0	0	0	0	161
Travel	6,992	8,565	437	9,002	426	1,506
Equipment rent	0	0	0	0	0	0
Conferences and meetings	300	54	13	67	13	573
Tools	533	0	0	0	0	337
Repairs and maintenance - Equipment	0	0	0	0	0	26
Referrals	0	0	0	0	0	191
Miscellaneous	155	0	0	0	0	263
In-kind donations	0	12	0	12	0	0
Dues and subscriptions	0	0	0	0	0	16
Depreciation and amortization	517	1,113	34	1,147	33	702
Total direct expenses	255,688	154,987	60,522	215,509	46,414	55,693
Allocation of support services	13,383	8,501	1,411	9,912	1,317	1,885
Total expenses	269,071	163,488	61,933	225,421	47,731	57,578
Change in net assets	\$ (41,907)	\$ (19,196)	\$ (37,983)	\$ (57,179)	\$ (25,384)	\$ (25,578)

See Independent Auditor's Report.

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Schedule of Revenue and Expense by Funding Source and by Contract (Continued)

Year Ended December 31, 2014

	Kenosha County Beyond the Boundaries of Autism	La Crosse County Beyond the Boundaries of Autism	Portage County Beyond the Boundaries of Autism	Fond du Lac County Beyond the Boundaries of Autism	Lutheran Social Services Beyond the Boundaries of Autism
Public support and revenue:					
Human Services Department	\$ 0	\$ 16,473	\$ 13,741	\$ 9,228	\$ 20,668
Contributions	0	0	0	0	0
Retail sales	0	0	0	0	0
Program fees	1,314	27,332	801	65,595	38,835
Total public support and revenue	1,314	43,805	14,542	74,823	59,503
Expenses:					
Salaries - Clients	0	0	0	0	0
Salaries - Staff	1,030	34,330	11,396	58,638	46,632
Fringe benefits	349	11,638	3,863	19,878	15,808
Office supplies	1	33	11	57	45
Administrative fees	1	23	8	39	32
Bad debts	38	1,275	423	2,178	1,732
Industrial supplies	0	0	0	0	0
Janitorial supplies	0	0	0	0	0
Telephone	15	489	162	835	664
Postage and shipping	0	10	3	17	14
Rent	0	0	0	0	0
Taxes	0	0	0	0	0
Advertising	0	0	0	0	0
Outside printing	0	0	0	0	0
Travel	35	1,155	384	1,974	1,570
Equipment rent	0	0	0	0	0
Conferences and meetings	0	0	0	0	0
Tools	0	0	0	0	0
Repairs and maintenance - Equipment	0	0	0	0	0
Referrals	0	0	0	0	0
Miscellaneous	1	32	11	0	43
In-kind donations	0	0	0	55	0
Dues and subscriptions	0	0	0	0	0
Depreciation and amortization	4	128	42	219	175
Total direct expenses	1,474	49,113	16,303	83,890	66,715
Allocation of support services	77	2,581	857	4,408	3,506
Total expenses	1,551	51,694	17,160	88,298	70,221
Change in net assets	\$ (237)	\$ (7,889)	\$ (2,618)	\$ (13,475)	\$ (10,718)

See Independent Auditor's Report.

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Schedule of Revenue and Expense by Funding Source and by Contract (Continued)

Year Ended December 31, 2014

	Diverse and Resilient, Inc. HIV Prevention Activities	Total
Public support and revenue:		
Human Services Department	\$ 5,500	\$ 1,046,762
Contributions	0	10
Retail sales	0	108,417
Program fees	0	888,397
Total public support and revenue	5,500	2,076,694
Expenses:		
Salaries - Clients	0	442,338
Salaries - Staff	9,158	1,528,787
Fringe benefits	3,000	531,285
Office supplies	271	7,203
Administrative fees	1,213	18,489
Bad debts	0	12,638
Industrial supplies	0	1,534
Janitorial supplies	0	2
Telephone	93	15,839
Postage and shipping	0	2,060
Rent	0	1,796
Taxes	0	0
Advertising	61	117
Outside printing	0	729
Travel	676	90,230
Equipment rent	0	146
Conferences and meetings	18	5,507
Tools	0	870
Repairs and maintenance - Equipment	0	803
Referrals	0	191
Miscellaneous	142	712
In-kind donations	0	88
Dues and subscriptions	22	117
Depreciation and amortization	112	11,729
Total direct expenses	14,766	2,673,219
Allocation of support services	298	122,320
Total expenses	15,064	2,795,539
Change in net assets	\$ (9,564)	\$ (718,845)

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Schedule of Expenditures of Federal, State, and Local Awards

Year Ended December 31, 2014

Grantor Agency/Pass-Through Agency Program Title	Federal CFDA Number	State ID Number	Federal Expenditures	State Expenditures	Local Expenditures
<u>U.S. Department of Agriculture</u>					
Farmer's market Promotion Program	10.168		\$ 4,732	\$ 0	\$ 0
<u>Department of the Treasury - Internal Revenue Service</u>					
Volunteer Income Tax Assistance Matching Program	21.009		41,965	0	0
<u>U.S. Department of Education</u>					
Passed through Wisconsin Departments of Health Services, Workforce Development, and various counties and agencies:					
Rehabilitation Service Vocational Rehabilitations Grants to States	84.126		395,825	0	0
Special Education Grants for Infants and Families With Disabilities	84.181		151,992	0	0
<u>U.S. Department of Health and Human Services</u>					
Passed through Wisconsin Department of Health Services and various counties and agencies:					
Temporary Assistance for Needy Families	93.558		6,285	0	0
Social Services Block Grant	93.667		10,293	0	0
Medical Assistance Program	93.778		192,468	0	0
Passed through Diverse and Resilient, Inc.					
HIV Prevention Activities	93.940		5,500	0	0
<u>Passed Through Wisconsin Department of Health Services</u>					
Passed through various counties and agencies:					
Community Options Program	435.367		0	2,566	0
CIP II Community Relocate Non Fed	435.369		0	16	0
Intermediate Care - ICFMR NON FED	435.407		0	1,549	0
Children Long-Term Supports	435.450		0	32,248	0
Special Education Grants for Infants and Families With Disabilities	435.550		0	148,864	381,575
Basic County Allocation	435.561		0	55,955	344
Community Integration Program - CIP 1B NON FEDERAL	435.564		0	26,855	25,053
Family Support Program	435.577		0	362	0
Children Long-Term Supports - Other	435.871		0	4,470	0
Children Long-Term Supports - Autism	435.874		0	6,706	0
<u>Wisconsin Department of Workforce Development</u>					
Passed through various counties and agencies:					
Vocational Rehabilitation		N/A	0	107,129	0
Total federal, state, and local awards			\$ 809,060	\$ 386,720	\$ 406,972

See Independent Auditor's Report

See accompanying note to Schedule of Expenditures of Federal, State, and Local Awards.

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Schedule of Expenditures of Federal, State, and Local Awards

Note 1 **Basis of Presentation**

The accompanying schedule of expenditures of federal, state, and local awards (the "Schedule") includes the federal, state, and local grant activity of Goodwill Industries under programs of the federal and state governments, and local sources for the year ended December 31, 2014. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Guidelines, issued by the Wisconsin Department of Administration. Because the schedule presents only a selected portion of the operations of Goodwill Industries, it is not intended to and does not present the financial position, changes in net assets or cash flows of Goodwill Industries.

Note 2 **Summary of Significant Accounting Policies**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.



Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Board of Directors

Goodwill Industries of North Central Wisconsin, Inc.

Menasha, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries (the "Organization") which comprise the consolidated statement of financial position as of December 31, 2014, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the notes to the consolidated financial statements and have issued our report thereon dated May 15, 2015. The financial statements of Financial Information & Service Center, Inc. (FISC), Money Management Education Associates (MMEA), and Goodwill Industries Development Corporation (the "Subsidiaries") were audited in accordance with GAAS, but were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with these entities.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Goodwill Industries of North Central Wisconsin, Inc.'s internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Goodwill Industries of North Central Wisconsin, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Goodwill Industries of North Central Wisconsin, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.


Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Goodwill Industries of North Central Wisconsin, Inc.'s consolidated financial statements are free from material misstatement, except for the Subsidiaries, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Goodwill Industries of North Central Wisconsin, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Goodwill Industries of North Central Wisconsin, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

May 15, 2015

Madison, Wisconsin



Independent Auditor's Report on Compliance for Each Major Federal and State Program and on Internal Control Over Compliance

Board of Directors

Goodwill Industries of North Central Wisconsin, Inc.

Menasha, Wisconsin

Report on Compliance for Each Major Federal and State Program

We have audited Goodwill Industries of North Central Wisconsin, Inc.'s compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines*, issued by the Wisconsin Department of Administration, that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2014. Goodwill Industries of North Central Wisconsin, Inc.'s major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility for Compliance

Management of Goodwill Industries of North Central Wisconsin, Inc. is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Goodwill Industries of North Central Wisconsin, Inc.'s major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *State Single Audit Guidelines*, issued by the Wisconsin Department of Administration. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about Goodwill Industries of North Central Wisconsin, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination on Goodwill Industries of North Central Wisconsin, Inc.'s compliance.

Opinion

In our opinion, Goodwill Industries of North Central Wisconsin, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2014.

Report on Internal Control Over Compliance

Management of Goodwill Industries of North Central Wisconsin, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Goodwill Industries of North Central Wisconsin, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Goodwill Industries of North Central Wisconsin, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Wipfli LLP

Wipfli LLP

May 15, 2015

Madison, Wisconsin

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Schedule of Findings and Questioned Costs

Year Ended December 31, 2014

Section I Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weakness identified? No

Significant deficiency(ies) identified not considered to be material weakness? No

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness identified? No

Significant deficiency(ies) identified not considered to be material weakness? None reported

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(1)? No

Identification of major federal program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.181	Special Education-Grants for Infants and Families
84.126	Rehabilitation Services-Vocational Rehabilitation Grants to States

Dollar threshold used to distinguish between Type A and Type B programs \$300,000

Auditee qualified as low-risk auditee? Yes

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2014

Section II Financial Statement Findings

There were no current-year or prior-year findings.

Section III Federal Award Findings and Questioned Costs

There were no current-year or prior-year findings or questioned costs.

Section IV Other Issues

Does the auditor's report or the notes to the financial statements include disclosures with regard to substantial doubt as to the auditee's ability to continue as a going concern? No

Does the audit report show audit issues related to grants/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*

Department of Health Services No

Department of Workforce Development No

Identification of major state programs:

<u>CARS Number</u>	<u>Name of State Program or Cluster</u>
435.550	Special Education Grants for Infants and Families with Disabilities

Dollar threshold used to distinguish between Type A and Type B programs \$100,000

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2014

Section IV Other Issues (Continued)

Was a management letter or other document conveying audit
comments issued as a result of this audit?

No

Name and signature of partner



Jean M. Christensen, CPA

Date of report

May 15, 2015

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Schedule of Prior-Year Findings and Questioned Costs

Year Ended December 31, 2013

Section I Prior Year Audit Results

There were no prior-year findings or questioned costs.