

# Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Menasha, Wisconsin

## Consolidated Financial Statements and Supplementary Information

Years Ended December 31, 2016 and 2015

# Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Consolidated Financial Statements and Supplementary Information  
Years Ended December 31, 2016 and 2015

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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, 2016 and 2015, 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, whether due to fraud or error. 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, 2016 and 2015, 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 30 through 37 which is presented as required by the *Department of Health Services Audit Guide, 2016 Revision*, issued by the Wisconsin Department of Health Services, 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 April 26, 2017, 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  
April 26, 2017  
Madison, Wisconsin

# Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

## Consolidated Statements of Financial Position December 31, 2016 and 2015

| <i>Assets</i>                     | 2016                 | 2015                 |
|-----------------------------------|----------------------|----------------------|
| Current assets:                   |                      |                      |
| Cash and cash equivalents         | \$ 6,333,638         | \$ 9,117,756         |
| Designated cash                   | 1,132,289            | 633,469              |
| Accounts receivable - Net         | 1,082,990            | 688,339              |
| Inventories                       | 11,682,338           | 10,801,206           |
| Prepaid expenses and other        | 303,795              | 351,392              |
| Total current assets              | 20,535,050           | 21,592,162           |
| Property and equipment - Net      | 57,196,470           | 54,850,334           |
| Interest in Community Foundations | 1,067,573            | 1,036,258            |
| Other assets:                     |                      |                      |
| Deferred compensation             | 2,010,598            | 1,825,490            |
| Restricted cash                   | 708,646              | 670,051              |
| Total current assets              | 2,719,244            | 2,495,541            |
| <b>TOTAL ASSETS</b>               | <b>\$ 81,518,337</b> | <b>\$ 79,974,295</b> |

# Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

## Consolidated Statements of Financial Position (Continued)

December 31, 2016 and 2015

| <i>Liabilities and Net Assets</i>                   | 2016                 | 2015                 |
|---|----------------------|----------------------|
| Current liabilities:                                |                      |                      |
| Current maturities of long-term debt                | \$ 2,312,403         | \$ 2,276,394         |
| Accounts payable                                    | 2,015,858            | 1,486,089            |
| Accrued and other liabilities:                      |                      |                      |
| Payroll   | 1,044,486            | 581,967              |
| Other   | 1,959,028            | 1,378,690            |
| Total current liabilities                           | 7,331,775            | 5,723,140            |
| Long-term liabilities:                              |                      |                      |
| Long-term debt - Net                                | 22,763,070           | 25,084,757           |
| Deferred compensation                               | 2,010,598            | 1,825,490            |
| Other - Fair value of interest rate swap agreements | 1,401,677            | 1,984,502            |
| Total long-term liabilities                         | 26,175,345           | 28,894,749           |
| Total liabilities                                   | 33,507,120           | 34,617,889           |
| Net assets:   |                      |                      |
| Unrestricted  | 47,574,124           | 44,841,730           |
| Temporarily restricted                              | 237,816              | 315,399              |
| Permanently restricted                              | 199,277              | 199,277              |
| Total net assets                                    | 48,011,217           | 45,356,406           |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>             | <b>\$ 81,518,337</b> | <b>\$ 79,974,295</b> |

# Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

## Consolidated Statement of Activities Year Ended December 31, 2016

|   | Unrestricted         | Temporarily<br>Restricted | Permanently<br>Restricted | Total                |
|---|----------------------|---------------------------|---------------------------|----------------------|
| Public support and revenue:                 |                      |                           |                           |                      |
| Public support:                             |                      |                           |                           |                      |
| Government fees and grants                  | \$ 2,564,551         | \$ 0                      | \$ 0                      | \$ 2,564,551         |
| In-kind contributions                       | 622,671              | 0                         | 0                         | 622,671              |
| Contributions                               | 1,066,513            | 199,268                   |                           | 1,265,781            |
| <b>Total public support</b>                 | <b>4,253,735</b>     | <b>199,268</b>            | <b>0</b>                  | <b>4,453,003</b>     |
| Revenue:                                    |                      |                           |                           |                      |
| Retail sales                                | 47,430,722           | 0                         | 0                         | 47,430,722           |
| Outlet store sales                          | 1,138,244            | 0                         | 0                         | 1,138,244            |
| Post-retail sales                           | 2,566,762            | 0                         | 0                         | 2,566,762            |
| E-Commerce                                  | 3,380,668            | 0                         | 0                         | 3,380,668            |
| Contractivity                               | 203,229              | 0                         | 0                         | 203,229              |
| Program fees                                | 888,189              | 0                         | 0                         | 888,189              |
| Rental income                               | 256,185              | 0                         | 0                         | 256,185              |
| Miscellaneous                               | 74,862               | 0                         | 0                         | 74,862               |
| <b>Total revenue</b>                        | <b>55,938,861</b>    | <b>0</b>                  | <b>0</b>                  | <b>55,938,861</b>    |
| Net assets released from donor restrictions | 282,479              | (282,479)                 | 0                         | 0                    |
| <b>Total public support and revenue</b>     | <b>60,475,075</b>    | <b>(83,211)</b>           | <b>0</b>                  | <b>60,391,864</b>    |
| Expenses:                                   |                      |                           |                           |                      |
| Program services                            | 50,726,317           | 0                         | 0                         | 50,726,317           |
| Management and general                      | 7,294,147            | 0                         | 0                         | 7,294,147            |
| Fund-raising                                | 256,586              | 0                         | 0                         | 256,586              |
| <b>Total expenses</b>                       | <b>58,277,050</b>    | <b>0</b>                  | <b>0</b>                  | <b>58,277,050</b>    |
| <b>Excess of revenue over expenses</b>      | <b>2,198,025</b>     | <b>(83,211)</b>           | <b>0</b>                  | <b>2,114,814</b>     |
| Other nonoperating activities:              |                      |                           |                           |                      |
| Change in interest in Community Foundations | 25,687               | 5,628                     | 0                         | 31,315               |
| Loss on disposal of property and equipment  | (88,826)             | 0                         | 0                         | (88,826)             |
| Investment income                           | 14,684               | 0                         | 0                         | 14,684               |
| Change in fair value of interest rate swap  | 582,824              | 0                         | 0                         | 582,824              |
| <b>Total other nonoperating activities</b>  | <b>534,369</b>       | <b>5,628</b>              | <b>0</b>                  | <b>539,997</b>       |
| Change in net assets                        | 2,732,394            | (77,583)                  | 0                         | 2,654,811            |
| Net assets at beginning                     | 44,841,730           | 315,399                   | 199,277                   | 45,356,406           |
| <b>Net assets at end</b>                    | <b>\$ 47,574,124</b> | <b>\$ 237,816</b>         | <b>\$ 199,277</b>         | <b>\$ 48,011,217</b> |

See accompanying notes to consolidated financial statements.

# Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

## Consolidated Statement of Activities Year Ended December 31, 2015

|   | Unrestricted         | Temporarily<br>Restricted | Permanently<br>Restricted | Total                |
|---|----------------------|---------------------------|---------------------------|----------------------|
| Public support and revenue:                 |                      |                           |                           |                      |
| Public support:                             |                      |                           |                           |                      |
| Government fees and grants                  | \$ 2,532,495         | \$ 0                      | \$ 0                      | \$ 2,532,495         |
| In-kind contributions                       | 741,408              | 0                         | 0                         | 741,408              |
| Contributions                               | 986,932              | 281,546                   | 0                         | 1,268,478            |
| <b>Total public support</b>                 | <b>4,260,835</b>     | <b>281,546</b>            | <b>0</b>                  | <b>4,542,381</b>     |
| Revenue:                                    |                      |                           |                           |                      |
| Retail sales                                | 48,803,699           | 0                         | 0                         | 48,803,699           |
| Outlet store sales                          | 1,137,278            | 0                         | 0                         | 1,137,278            |
| Post-retail sales                           | 3,227,337            | 0                         | 0                         | 3,227,337            |
| E-Commerce                                  | 2,928,256            | 0                         | 0                         | 2,928,256            |
| Contractivity                               | 211,274              | 0                         | 0                         | 211,274              |
| Program fees                                | 908,362              | 0                         | 0                         | 908,362              |
| Rental income                               | 213,049              | 0                         | 0                         | 213,049              |
| Miscellaneous                               | 125,639              | 0                         | 0                         | 125,639              |
| <b>Total revenue</b>                        | <b>57,554,894</b>    | <b>0</b>                  | <b>0</b>                  | <b>57,554,894</b>    |
| Net assets released from donor restrictions | 323,453              | (323,453)                 | 0                         | 0                    |
| <b>Total public support and revenue</b>     | <b>62,139,182</b>    | <b>(41,907)</b>           | <b>0</b>                  | <b>62,097,275</b>    |
| Expenses:                                   |                      |                           |                           |                      |
| Program services                            | 52,132,276           | 0                         | 0                         | 52,132,276           |
| Management and general                      | 7,892,563            | 0                         | 0                         | 7,892,563            |
| Fund-raising                                | 246,660              | 0                         | 0                         | 246,660              |
| <b>Total expenses</b>                       | <b>60,271,499</b>    | <b>0</b>                  | <b>0</b>                  | <b>60,271,499</b>    |
| <b>Excess of revenue over expenses</b>      | <b>1,867,683</b>     | <b>(41,907)</b>           | <b>0</b>                  | <b>1,825,776</b>     |
| Other nonoperating activities:              |                      |                           |                           |                      |
| Change in interest in Community Foundation  | (33,597)             | (7,427)                   | 0                         | (41,024)             |
| Loss on disposal of property and equipment  | (169,390)            | 0                         | 0                         | (169,390)            |
| Investment income                           | 4,265                | 0                         | 0                         | 4,265                |
| Change in fair value of interest rate swaps | 323,869              | 0                         | 0                         | 323,869              |
| <b>Total other nonoperating activities</b>  | <b>125,147</b>       | <b>(7,427)</b>            | <b>0</b>                  | <b>117,720</b>       |
| <b>Change in net assets</b>                 | <b>1,992,830</b>     | <b>(49,334)</b>           | <b>0</b>                  | <b>1,943,496</b>     |
| <b>Net assets at beginning</b>              | <b>42,848,900</b>    | <b>364,733</b>            | <b>199,277</b>            | <b>43,412,910</b>    |
| <b>Net assets at end</b>                    | <b>\$ 44,841,730</b> | <b>\$ 315,399</b>         | <b>\$ 199,277</b>         | <b>\$ 45,356,406</b> |

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, 2016 and 2015

|   | 2016         | 2015         |
|---|--------------|--------------|
| Change in cash and cash equivalents:  |              |              |
| Cash flows from operating activities:   |              |              |
| Change in net assets  | \$ 2,654,811 | \$ 1,943,496 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |              |              |
| Provision for depreciation  | 3,432,326    | 3,299,230    |
| Amortization of debt issuance costs classified as interest expense                          | 49,498       | 46,956       |
| Change in fair value of interest rate swap agreements                                       | (582,825)    | (323,869)    |
| Loss on sale of property and equipment  | 88,826       | 169,390      |
| Bad debt expense  | 0            | 20,207       |
| Change in interest in Community Foundations   | (31,315)     | 41,024       |
| Changes in operating assets and liabilities:  |              |              |
| Accounts receivable - Net   | (394,651)    | 155,969      |
| Inventories   | (881,132)    | (506,869)    |
| Prepaid expenses and other  | 47,597       | 55,442       |
| Accounts payable  | 529,769      | (328,047)    |
| Accrued and other liabilities   | 1,042,857    | (844,589)    |
| Total adjustments   | 3,300,950    | 1,784,844    |
| Net cash provided by operating activities   | 5,955,761    | 3,728,340    |
| Cash flows from investing activities:   |              |              |
| Capital expenditures for property and equipment   | (5,892,188)  | (5,231,075)  |
| Change in restricted cash   | (38,595)     | (210,730)    |
| Proceeds from sale of property and equipment  | 24,900       | 356,039      |
| Net cash used in investing activities   | (5,905,883)  | (5,085,766)  |

# Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (Continued)  
Years Ended December 31, 2016 and 2015

|  | 2016                | 2015                |
|--|---------------------|---------------------|
| <b>Cash flows from financing activities:</b>                                   |                     |                     |
| Principal payments on long-term debt   | (2,323,682)         | (2,292,442)         |
| Issuance of long-term debt   | 0                   | 2,171,250           |
| Payments for deferred financing fees   | (11,494)            | (36,657)            |
| <b>Net cash used in financing activities</b>                                   | <b>(2,335,176)</b>  | <b>(157,849)</b>    |
| Change in cash and cash equivalents  | (2,285,298)         | (1,515,275)         |
| Cash and cash equivalents at beginning   | 9,751,225           | 11,266,500          |
| <b>Cash and cash equivalents at end</b>  | <b>\$ 7,465,927</b> | <b>\$ 9,751,225</b> |
| <b>Supplemental cash flow information:</b>                                     |                     |                     |
| Cash paid for interest   | \$ 1,045,469        | \$ 1,069,931        |
| <b>Noncash financing and investing activities:</b>                             |                     |                     |
| Change in assets held on behalf of employees in the deferred compensation plan | 185,108             | 51,198              |
| <b>Reconciliation of Cash and Cash Equivalents:</b>                            |                     |                     |
| Cash and cash equivalents  | 6,333,638           | 9,117,756           |
| Designated cash  | 1,132,289           | 633,469             |
| <b>Total cash and cash equivalents</b>   | <b>7,465,927</b>    | <b>9,751,225</b>    |

See accompanying notes to consolidated financial statements.

# Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

## Consolidated Statement of Functional Expenses

Year Ended December 31, 2016

|  | Retail<br>Services   | Other<br>Program<br>Services | Fund-Raising      | Management<br>and<br>General | Total                |
|--|----------------------|------------------------------|-------------------|------------------------------|----------------------|
| Expenses:                                      |                      |                              |                   |                              |                      |
| Salaries - Clients                             | \$ 600,040           | \$ 526,260                   | \$ 0              | \$ 9,587                     | \$ 1,135,887         |
| Salaries - Staff                               | 18,574,282           | 4,219,488                    | 195,771           | 3,946,995                    | 26,936,536           |
| Fringe benefits                                | 5,127,078            | 1,122,667                    | 50,965            | 972,076                      | 7,272,786            |
| Cost of sales                                  | 5,042,362            | 1,898                        | 0                 | 0                            | 5,044,260            |
| Administrative fees                            | 1,406,305            | 116,180                      | 279               | 644,701                      | 2,167,465            |
| Industrial supplies                            | 663,129              | 49,405                       | 470               | 15,569                       | 728,573              |
| Janitorial supplies                            | 197,892              | 74                           | 0                 | 17,491                       | 215,457              |
| Telephone                                      | 144,729              | 47,859                       | 635               | 58,885                       | 252,108              |
| Postage and shipping                           | 1,309,486            | 18,870                       | 364               | 15,374                       | 1,344,094            |
| Rent   | 752,181              | 34,256                       | 0                 | 0                            | 786,437              |
| Insurance                                      | 284,276              | 5,389                        | 0                 | 43,581                       | 333,246              |
| Interest                                       | 1,142,988            | 0                            | 0                 | 132,167                      | 1,275,155            |
| Property and other taxes                       | 133,823              | 74                           | 25                | 9,272                        | 143,194              |
| Advertising                                    | 760,513              | 11,744                       | 0                 | 81,047                       | 853,304              |
| Outside printing                               | 6,267                | 25,864                       | 1,712             | 12,355                       | 46,198               |
| Travel   | 418,390              | 223,876                      | 535               | 85,097                       | 727,898              |
| Equipment rent                                 | 273,027              | 2,150                        | 0                 | 2,541                        | 277,718              |
| Trash removal                                  | 469,969              | 0                            | 0                 | 105                          | 470,074              |
| Conferences and meetings                       | 7,756                | 11,654                       | 0                 | 17,514                       | 36,924               |
| Utilities                                      | 1,120,776            | 888                          | 70                | 121,254                      | 1,242,988            |
| Tools  | 502,310              | 46,413                       | 0                 | 57,691                       | 606,414              |
| Repairs and maintenance - Land and<br>building | 555,540              | 144,516                      | 0                 | 94,063                       | 794,119              |
| Repairs and maintenance - Equipment            | 316,713              | 6,584                        | 1,429             | 110,251                      | 434,977              |
| Referrals                                      | 0                    | 870,384                      | 0                 | 0                            | 870,384              |
| Miscellaneous                                  | 16,240               | 504,466                      | 3,154             | 84,301                       | 608,161              |
| Dues and subscriptions                         | 10,698               | 21,948                       | 275               | 207,446                      | 240,367              |
| Depreciation                                   | 2,811,530            | 65,110                       | 902               | 554,784                      | 3,432,326            |
| <b>Total expenses</b>                          | <b>\$ 42,648,300</b> | <b>\$ 8,078,017</b>          | <b>\$ 256,586</b> | <b>\$ 7,294,147</b>          | <b>\$ 58,277,050</b> |

See accompanying notes to consolidated financial statements.

# Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

## Consolidated Statement of Functional Expenses Year Ended December 31, 2015

|  | Retail<br>Services   | Other<br>Program<br>Services | Fund-Raising      | Management<br>and<br>General | Total                |
|--|----------------------|------------------------------|-------------------|------------------------------|----------------------|
| Expenses:                                      |                      |                              |                   |                              |                      |
| Salaries - Clients                             | \$ 532,027           | \$ 626,725                   | \$ 0              | \$ 12,802                    | \$ 1,171,554         |
| Salaries - Staff                               | 18,501,244           | 4,138,589                    | 185,085           | 4,178,412                    | 27,003,330           |
| Fringe benefits                                | 6,226,161            | 1,339,730                    | 57,108            | 1,225,817                    | 8,848,816            |
| Cost of sales                                  | 5,480,301            | 1,560                        | 0                 | 0                            | 5,481,861            |
| Administrative fees                            | 1,337,724            | 196,147                      | 221               | 679,286                      | 2,213,378            |
| Bad debts                                      | 0                    | 0                            | 0                 | 20,207                       | 20,207               |
| Industrial supplies                            | 704,202              | 57,696                       | 637               | 25,059                       | 787,594              |
| Janitorial supplies                            | 205,869              | 446                          | 0                 | 6,107                        | 212,422              |
| Telephone                                      | 132,807              | 51,911                       | 652               | 65,803                       | 251,173              |
| Postage and shipping                           | 1,381,660            | 20,679                       | 193               | 15,827                       | 1,418,359            |
| Rent   | 687,822              | 36,945                       | 0                 | 0                            | 724,767              |
| Insurance                                      | 260,333              | 1,371                        | 0                 | 37,328                       | 299,032              |
| Interest                                       | 1,185,273            | 0                            | 0                 | 122,659                      | 1,307,932            |
| Property and other taxes                       | 140,018              | 408                          | 10                | 539                          | 140,975              |
| Advertising                                    | 765,816              | 16,013                       | 0                 | 71,951                       | 853,780              |
| Outside printing                               | 20,072               | 20,179                       | 738               | 15,739                       | 56,728               |
| Travel   | 511,583              | 237,156                      | 325               | 103,743                      | 852,807              |
| Equipment rent                                 | 228,005              | 1,793                        | 0                 | 1,695                        | 231,493              |
| Trash removal                                  | 416,865              | 44                           | 0                 | 0                            | 416,909              |
| Conferences and meetings                       | 7,906                | 12,226                       | 210               | 9,842                        | 30,184               |
| Utilities                                      | 1,142,914            | 9,768                        | 0                 | 103,051                      | 1,255,733            |
| Tools  | 486,937              | 29,033                       | 0                 | 50,882                       | 566,852              |
| Repairs and maintenance - Land and<br>building | 484,685              | 41,006                       | 0                 | 69,726                       | 595,417              |
| Repairs and maintenance - Equipment            | 307,944              | 8,399                        | 0                 | 80,571                       | 396,914              |
| Referrals                                      | 7,763                | 841,353                      | 0                 | 0                            | 849,116              |
| Miscellaneous                                  | 26,248               | 516,653                      | 461               | 192,186                      | 735,548              |
| Dues and subscriptions                         | 18,944               | 26,269                       | 200               | 203,975                      | 249,388              |
| Depreciation                                   | 2,603,414            | 95,640                       | 820               | 599,356                      | 3,299,230            |
| <b>Total expenses</b>                          | <b>\$ 43,804,537</b> | <b>\$ 8,327,739</b>          | <b>\$ 246,660</b> | <b>\$ 7,892,563</b>          | <b>\$ 60,271,499</b> |

# Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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### **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 27 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

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

#### **Basis of Presentation**

The Organization prepares its consolidated financial statements in accordance 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 accordance 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.

#### **Designated Cash**

The Organization considers cash that is segregated to cover employee benefit payments to be designated cash.

#### **Restricted Cash**

Restricted cash primarily includes cash and cash equivalents designated for specific purposes by donors and funds held in trust for clients receiving financial services.

# Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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

#### **Accounts Receivable - Net**

Accounts receivable arise from contract payments for program services, amounts expected from salvage customers, and miscellaneous credits and 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.

#### **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, 2016 and 2015, approximately 89% and 91%, respectively, of inventories were composed of donated goods.

#### **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.

# Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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

#### **Debt Issuance Costs**

Long-term debt is presented net of debt issuance costs on the consolidated statements of financial position and the amortization of debt issuance costs is presented as interest expense on the consolidated statements of activities. See Note 8 for more information.

#### **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.

#### **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. In-kind contributions related to an increase in donated inventory on hand in the amount of \$622,671 and \$741,408 were recognized in 2016 and 2015. 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.



# Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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

#### **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.

#### **Reclassifications**

Certain prior year amounts have been reclassified to conform to the current year presentation. There was no effect on net assets or the change in net assets.

#### **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.

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.

#### **Advertising Costs**

Advertising costs are expensed as incurred.

# Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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### **Note 2      Accounts Receivable - Net**

Accounts receivable consisted of the following at December 31:

|   | <b>2016</b>        | <b>2015</b>       |
|---|--------------------|-------------------|
| Program and contracts receivable              | \$1,164,990        | \$ 770,958        |
| <u>Less - Allowance for doubtful accounts</u> | <u>82,000</u>      | <u>82,619</u>     |
| <u>Accounts receivable - Net</u>              | <u>\$1,082,990</u> | <u>\$ 688,339</u> |

### **Note 3      Restricted Cash**

Restricted cash consisted of the following at December 31:

|                              | <b>2016</b>       | <b>2015</b>       |
|------------------------------|-------------------|-------------------|
| Payment partner funds        | \$ 706,430        | \$ 667,835        |
| <u>Other</u>                 | <u>2,216</u>      | <u>2,216</u>      |
| <u>Total restricted cash</u> | <u>\$ 708,646</u> | <u>\$ 670,051</u> |

### **Note 4      Interest in Community Foundations**

As of December 31, 2016 and 2015, funds with a fair value totaling \$1,067,573 and \$1,036,258, 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., Marshfield Area Community Foundation, 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

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### **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 of \$31,315 in 2016 and a decrease of \$41,024 in 2015 in interest in Community Foundations.

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.

### **Note 5 Property and Equipment - Net**

Property and equipment consisted of the following at December 31:

|                                    | <b>2016</b>         | <b>2015</b>         |
|------------------------------------|---------------------|---------------------|
| Land and land improvements         | \$19,305,533        | \$17,565,567        |
| Buildings and improvements         | 49,597,162          | 47,523,634          |
| Furniture and equipment            | 16,587,130          | 16,270,733          |
| Construction in progress           | 202,251             | 76,436              |
| Total property and equipment       | 85,692,076          | 81,436,370          |
| Less - Accumulated depreciation    | 28,495,606          | 26,586,036          |
| <u>Property and equipment, net</u> | <u>\$57,196,470</u> | <u>\$54,850,334</u> |

Construction in progress as of December 31, 2016 and 2015, consists of costs to purchase and construct store locations throughout Wisconsin as well as remodeling and updating of current locations.

# Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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### **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.

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:

|  | Temporarily<br>Restricted | Permanently<br>Restricted | Total             |
|--|---------------------------|---------------------------|-------------------|
| Endowments at January 1, 2015          | \$ 37,607                 | 199,277                   | 236,884           |
| Net depreciation                       | (7,427)                   | 0                         | (7,427)           |
| Endowments at December 31, 2015        | 30,180                    | 199,277                   | 229,457           |
| Net appreciation                       | 5,628                     | 0                         | 5,628             |
| <u>Endowments at December 31, 2016</u> | <u>\$ 35,808</u>          | <u>\$ 199,277</u>         | <u>\$ 235,085</u> |

### Note 7 Line of Credit

The Organization has a line of credit of \$1,000,000 with Wells Fargo Bank, with interest at 2.25% plus One Month LIBOR which was 0.7733% at December 31, 2016. The line of credit expires October 30, 2017. The line of credit is collateralized by equipment and inventories. No amounts were outstanding on the line of credit at December 31, 2016.

### Note 8 Long-Term Debt

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

|  | 2016         | 2015         |
|--|--------------|--------------|
| 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.             | \$ 1,680,583 | \$ 2,108,616 |
| 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. | 6,575,000    | 7,125,000    |

# 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:

|  | 2016      | 2015      |
|--|-----------|-----------|
| 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, 2016, was 1.76%), secured by land and buildings. Paid off in 2016. | \$ 0      | \$ 42,697 |
| 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%. Paid off in 2016.   | 0         | 31,059    |
| 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.  | 5,605,000 | 6,110,000 |
| 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. The bonds will be renewed every five years, in December 2020 and December 2025.                                   | 8,703,860 | 9,204,692 |

# 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:

|  | 2016                | 2015                |
|--|---------------------|---------------------|
| 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. The bonds will be renewed every five years, in December 2022 and December 2027. | 984,375             | 1,141,875           |
| Mortgage dated October 30, 2015, payable in monthly principal and interest installments through October 2020 with a balloon payment of all outstanding principal and interest in October 2020. Interest is variable (rate is LIBOR rate plus 2.75%, effective rate of 3.18% as of December 31, 2016); secured by land and buildings.                       | 2,044,594           | 2,153,156           |
| Totals   | 25,593,412          | 27,917,095          |
| Less - Current maturities  | 2,312,403           | 2,276,394           |
| Long-term portion  | 23,281,009          | 25,640,701          |
| Less – Debt issuance costs   | 517,939             | 555,944             |
| <u>Long-term portion – net of debt issuance costs</u>  | <u>\$22,763,070</u> | <u>\$25,084,757</u> |

Unamortized bond issuance costs related to issuance of long-term debt are amortized and reported as interest expense over the life of the related debt using the straight-line method. Net deferred financing costs as of December 31, 2016 and 2015, were \$517,939 and \$555,944, respectively, with accumulated amortization of \$356,549 and \$307,051, respectively. Amortization was \$49,498 and \$46,956 during 2016 and 2015, respectively and is included in Interest expense.

Certain notes described above are subject to certain performance and financial covenants. As of December 31, 2015, the Organization was in violation of certain covenants, which have been waived by Wells Fargo Bank in letters dated April 28, 2016. The covenant failure was due to the price for post-retail merchandise precipitously falling from 20 cents per pound in 2015 to 6 cents in early 2016. The Organization met the challenge of that shortfall without affecting the mission.

# Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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### **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 \$12,433,541 and \$13,667,852 at December 31, 2016 and 2015, 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, 2016, including current maturities, are summarized as follows:

|              |                     |
|--------------|---------------------|
| 2017         | \$ 2,312,403        |
| 2018         | 2,368,202           |
| 2019         | 2,445,270           |
| 2020         | 4,069,039           |
| 2021         | 2,043,371           |
| Thereafter   | 12,355,127          |
| <b>Total</b> | <b>\$25,593,412</b> |

### **Note 9 Temporarily and Permanently Restricted Net Assets**

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

|  | <b>2016</b>       | <b>2015</b>       |
|--|-------------------|-------------------|
| Contributions restricted for future periods    | \$ 202,008        | \$ 285,220        |
| Other  | 35,808            | 30,179            |
| <b>Total temporarily restricted net assets</b> | <b>\$ 237,816</b> | <b>\$ 315,399</b> |

Permanently restricted net assets were \$199,277 as of December 31, 2016 and 2015, and represent donor restricted contributions to be placed into an endowment and held for perpetuity. See Note 6 for more information.

### **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, 2016 and 2015. 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.



# Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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### **Note 10 Interest Rate Swap Agreements (Continued)**

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.

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.

# Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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### **Note 10 Interest Rate Swap Agreements (Continued)**

The fair value of the swap agreements is recorded on the accompanying consolidated statement of financial position as a liability and totaled \$1,401,677 and \$1,984,502 as of December 31, 2016 and 2015, respectively. The interest rate swaps reflect a liability balance due to decreases in market rates since inception. For the years ended December 31, 2016 and 2015, \$582,824 and \$323,869, 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 \$1,050,000 and \$946,000 for the years ended December 31, 2016 and 2015, respectively.

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

|              |                     |
|--------------|---------------------|
| 2017         | \$ 975,881          |
| 2018         | 813,991             |
| 2019         | 321,474             |
| 2020         | 268,405             |
| 2021         | 28,400              |
| Thereafter   | 29,708              |
| <b>Total</b> | <b>\$ 2,437,859</b> |

# Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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### **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 Organization changed their contribution to the plan in 2016. The plan now provides for a discretionary matching contribution by the Organization equal to 100% of the employee's total contribution with the maximum contribution being equal to 6% of the employee's total compensation. In 2015, the plan provided 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 as well as a safe harbor contribution equal to 3% of the employee's total compensation. Pension expense totaled \$638,527 and \$926,519 for the years ended December 31, 2016 and 2015, respectively.

The Organization also contributes to a deferred compensation plan available for officers of the Organization. Deferred compensation expense totaled \$81,000 and \$86,490 for the years ended December 31, 2016 and 2015, respectively.

### **Note 13 Self-Funded Health Insurance**

Goodwill Industries sponsors a self-funded health insurance plan covering certain 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 \$3.5 million and \$4.1 million for the years ended December 31, 2016 and 2015, respectively.

The Organization's exposure is limited with a stop-loss insurance policy for claims in excess of \$100,000 per insured and 125% of expected claims in the aggregate (aggregate exposure of \$6.2 million in 2016). As of December 31, 2016 and 2015, the obligation for self-funded insurance claims incurred but not reported was approximately \$460,000 and \$470,000, 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.

# Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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### **Note 14      Concentration of Credit Risk (Continued)**

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 41,000 and 45,000 volunteer hours were contributed in 2016 and 2015, respectively.

### **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.

# Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

### Note 16 Fair Value Measurements (Continued)

Information regarding assets measured at fair value on a recurring basis as of December 31, 2016, is as follows:

| 2016                                 | Fair Value Measurements Using |            |              | Total Assets<br>(Liabilities)<br>at Fair Value |
|--------------------------------------|-------------------------------|------------|--------------|--|
|                                      | Level 1                       | Level 2    | Level 3      |  |
| Assets:                              |                               |            |              |  |
| Deferred compensation:               |                               |            |              |  |
| Cash and equivalents                 | \$ 0                          | \$ 188,752 | \$ 0         | \$ 188,752                                     |
| Equity mutual funds:                 |                               |            |              |  |
| Growth funds                         | 944,083                       | 0          | 0            | 944,083  |
| Large blend funds                    | 236,523                       | 0          | 0            | 236,523  |
| Value funds                          | 258,516                       | 0          | 0            | 258,516  |
| Fixed income:                        |                               |            |              |  |
| Bond funds                           | 218,211                       | 0          | 0            | 218,211  |
| Conservative<br>allocation funds     | 164,513                       | 0          | 0            | 164,513  |
| Subtotal deferred compensation       | 1,821,846                     | 188,752    | 0            | 2,010,598                                      |
| Interest in Community<br>Foundations | 0                             | 0          | 1,067,573    | 1,067,573                                      |
| Totals assets                        | \$ 1,821,846                  | \$ 188,752 | \$ 1,067,573 | \$ 3,078,171                                   |

Information regarding liabilities measured at fair value on a recurring basis as of December 31, 2016, is as follows:

| 2016                          | Fair Value Measurements Using |                |         | Total Assets<br>(Liabilities)<br>at Fair Value |
|-------------------------------|-------------------------------|----------------|---------|--|
|                               | Level 1                       | Level 2        | Level 3 |  |
| Liabilities:                  |                               |                |         |  |
| Interest rate swap agreements | \$ 0                          | \$ (1,401,677) | \$ 0    | \$ (1,401,677)                                 |

Changes in Level 3 recurring measurements are as follows:

|   | 2016         | 2015         |
|---|--------------|--------------|
| Interest in Community Foundations – Beginning of the year | \$1,036,258  | \$ 1,077,282 |
| Net appreciation (depreciation)                           | 31,315       | (41,024)     |
| Interest in Community Foundations – End of the year       | \$ 1,067,573 | \$ 1,036,258 |

# Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

### Note 16 Fair Value Measurements (Continued)

Information regarding assets measured at fair value on a recurring basis as of December 31, 2015, is as follows:

| 2015                              | Fair Value Measurements Using |                   |                     | Total Assets<br>(Liabilities)<br>at Fair Value |
|-----------------------------------|-------------------------------|-------------------|---------------------|--|
|                                   | Level 1                       | Level 2           | Level 3             |  |
| Assets:                           |                               |                   |                     |  |
| Deferred compensation:            |                               |                   |                     |  |
| Cash and equivalents              | \$ 0                          | \$ 211,049        | \$ 0                | \$ 211,049                                     |
| Equity mutual funds:              |                               |                   |                     |  |
| Growth funds                      | 845,557                       | 0                 | 0                   | 845,557  |
| Large blend funds                 | 203,957                       | 0                 | 0                   | 203,957  |
| Value funds                       | 235,545                       | 0                 | 0                   | 235,545  |
| Fixed income:                     |                               |                   |                     |  |
| Bond funds                        | 142,723                       | 0                 | 0                   | 142,723  |
| Conservative allocation funds     | 186,659                       | 0                 | 0                   | 186,659  |
| Subtotal deferred compensation:   | 1,614,441                     | 211,049           | 0                   | 1,825,490                                      |
| Interest in Community Foundations |                               |                   |                     |  |
|                                   | 0                             | 0                 | 1,036,258           | 1,036,258                                      |
| <b>Totals assets</b>              | <b>\$ 1,614,441</b>           | <b>\$ 211,049</b> | <b>\$ 1,036,258</b> | <b>\$ 2,861,748</b>                            |

Information regarding liabilities measured at fair value on a recurring basis as of December 31, 2015, is as follows:

| 2015                          | Fair Value Measurements Using |                |         | Total Assets<br>(Liabilities)<br>at Fair Value |
|-------------------------------|-------------------------------|----------------|---------|--|
|                               | Level 1                       | Level 2        | Level 3 |  |
| Liabilities:                  |                               |                |         |  |
| Interest rate swap agreements | \$ 0                          | \$ (1,984,502) | \$ 0    | \$ (1,984,502)                                 |

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.

# Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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### **Note 16** Fair Value Measurements (Continued)

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.

### **Note 17** Subsequent Events

Subsequent events have been evaluated through April 26, 2017, which is the date the consolidated financial statements were available to be issued.

# **Supplementary Information**

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# Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

## Reserve Supplemental Schedule - Outagamie County Year Ended December 31, 2016

### Various Programs

|   |                       |
|---|-----------------------|
| 1. Total units of service   | <u>See below*</u>     |
| 2. Allowable expenses for rate-based service                        | <u>\$ 140,744</u>     |
| 3. Total revenue for rate-based service                             | <u>\$ 38,477</u>      |
| 4. Deficiency of revenue over expenses (line 3 less line 2)         | <u>\$ (102,267)</u>   |
| 5. Total reserve from all prior periods (not including this period) | <u>\$ (1,167,120)</u> |
| 6. Calculation of reserve and amounts due to purchaser:             |                       |

| Purchaser<br>(6a)                           | Revenue<br>From<br>Purchaser<br>(6b) | Purchaser's<br>Share of<br>Total<br>Revenue<br>(6c) | Purchaser's<br>Share of<br>Deficiency<br>of Revenue<br>(6d) | First Test                                     |  |   | Second Test   |   |   |                                 | Total<br>Amount<br>Due to<br>Purchaser<br>(6m) |  |
|---|--------------------------------------|---|---|--|--|---|---|---|---|---------------------------------|--|--|
|   |                                      |   |   | Cap on<br>Reserve<br>for First<br>Test<br>(6e) | Amount to<br>Add to<br>Reserve<br>for This<br>Period<br>(6f) | Amount<br>Due to<br>Purchaser<br>From<br>First Test<br>(6g) | Purchaser's<br>Share of<br>Reserve<br>From<br>Prior Periods<br>(6h) | Purchaser's<br>Share<br>of Reserve<br>From All<br>Periods<br>(6i) | Cap on<br>Reserve<br>for Second<br>Test<br>(6j) | Amount<br>of<br>Reserve<br>(6k) |  | Amount<br>Due to<br>Purchaser<br>From<br>Second Test<br>(6l) |
| Outagamie County<br>Health & Human Services | \$ 38,477                            | 100%  | \$ (102,267)  | \$ 1,924                                       | \$ (102,267)   | \$ 0  | \$ (1,167,120)  | \$ (1,269,387)  | \$ 3,848  | \$ (1,269,387)                  | \$ 0   | \$ 0   |

\*Work Services 6,603  
Vocational Support Services (VSS) 209

# Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

## Reserve Supplemental Schedule - Brown County Year Ended December 31, 2016

### Various Programs

|   |                       |
|---|-----------------------|
| 1. Total units of service   | <u>See below*</u>     |
| 2. Allowable expenses for rate-based service                        | <u>\$ 1,622</u>       |
| 3. Total revenue for rate-based service                             | <u>\$ 377</u>         |
| 4. Deficiency of revenue over expenses (line 3 less line 2)         | <u>\$ (1,245)</u>     |
| 5. Total reserve from all prior periods (not including this period) | <u>\$ (1,030,551)</u> |
| 6. Calculation of reserve and amounts due to purchaser              |                       |

| Purchaser<br>(6a)                         | Revenue<br>From<br>Purchaser<br>(6b) | Purchaser's<br>Share of<br>Total<br>Revenue<br>(6c) | First Test  |  |  |   | Second Test   |   |   |                                 | Total<br>Amount<br>Due to<br>Purchaser<br>(6m) |  |
|---|--------------------------------------|---|---|--|--|---|---|---|---|---------------------------------|--|--|
|   |                                      |   | Purchaser's<br>Share of<br>Deficiency<br>of Revenue<br>(6d) | Cap on<br>Reserve<br>for First<br>Test<br>(6e) | Amount to<br>Add to<br>Reserve<br>for This<br>Period<br>(6f) | Amount<br>Due to<br>Purchaser<br>From<br>First Test<br>(6g) | Purchaser's<br>Share of<br>Reserve<br>From<br>Prior Periods<br>(6h) | Purchaser's<br>Share<br>of Reserve<br>From All<br>Periods<br>(6i) | Cap on<br>Reserve<br>for Second<br>Test<br>(6j) | Amount<br>of<br>Reserve<br>(6k) |  | Amount<br>Due to<br>Purchaser<br>From<br>Second Test<br>(6l) |
| Brown County Human<br>Services Department | \$ 377                               | 100%  | \$ (1,245)  | \$ 19  | \$ (1,245)   | \$ 0  | \$ (1,030,551)  | \$ (1,031,796)  | \$ 38   | \$ (1,031,796)                  | \$ 0   | \$ 0   |

\*Work Services 79

# Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

## Schedule of Revenue and Expense by Funding Source and by Contract Year Ended December 31, 2016

|  | Winnebago                | Outagamie County Health & |                    | Total Outagamie    |
|--|--------------------------|---------------------------|--------------------|--------------------|
|  | County Human<br>Services | Human Services            |                    |                    |
|  | Early<br>Intervention    | Vocational<br>Support     | Work<br>Services   |                    |
| <b>Public support and revenue:</b>                   |                          |                           |                    |                    |
| Human Services Department                            | \$ 702,873               | \$ 7,115                  | \$ 31,362          | \$ 38,477          |
| Wisconsin Department of Vocational<br>Rehabilitation | 0                        | 0                         | 0                  | 0                  |
| Contributions  | 0                        | 0                         | 0                  | 0                  |
| Retail sales   | 0                        | 0                         | 69,118             | 69,118             |
| Program fees   | 56,221                   | 0                         | 0                  | 0                  |
| <b>Total public support and revenue</b>              | <b>759,094</b>           | <b>7,115</b>              | <b>100,480</b>     | <b>107,595</b>     |
| <b>Expenses:</b>                                     |                          |                           |                    |                    |
| Salaries - Clients                                   | 0                        | 3                         | 49,950             | 49,953             |
| Salaries - Staff                                     | 643,727                  | 5,370                     | 51,769             | 57,139             |
| Fringe benefits                                      | 169,197                  | 1,387                     | 21,013             | 22,400             |
| Office supplies                                      | 1,814                    | 14                        | 36                 | 50                 |
| Administrative fees                                  | 3,799                    | 44                        | 0                  | 44                 |
| Industrial supplies                                  | 33                       | 5                         | 0                  | 5                  |
| Janitorial supplies                                  | 0                        | 0                         | 0                  | 0                  |
| Telephone  | 10,036                   | 68                        | 432                | 500                |
| Postage and shipping                                 | 1,156                    | 4                         | 3                  | 7                  |
| Rent   | 0                        | 0                         | 0                  | 0                  |
| Insurance  | 0                        | 0                         | 0                  | 0                  |
| Taxes  | 0                        | 0                         | 0                  | 0                  |
| Advertising  | 0                        | 0                         | 0                  | 0                  |
| Outside printing                                     | 431                      | 3                         | 0                  | 3                  |
| Travel   | 36,422                   | 423                       | 2,555              | 2,978              |
| Conferences and meetings                             | 1,584                    | 0                         | 0                  | 0                  |
| Tools  | 2,366                    | 0                         | 0                  | 0                  |
| Repairs and maintenance - Equipment                  | 2,018                    | 0                         | 0                  | 0                  |
| Referrals  | 0                        | 0                         | 0                  | 0                  |
| Miscellaneous  | 0                        | 0                         | 0                  | 0                  |
| Dues and subscriptions                               | 0                        | 0                         | 0                  | 0                  |
| Depreciation and amortization                        | 3,813                    | 49                        | 494                | 543                |
| <b>Total direct expenses</b>                         | <b>876,396</b>           | <b>7,370</b>              | <b>126,252</b>     | <b>133,622</b>     |
| Allocation of support services                       | 50,247                   | 471                       | 6,651              | 7,122              |
| <b>Total expenses</b>                                | <b>926,643</b>           | <b>7,841</b>              | <b>132,903</b>     | <b>140,744</b>     |
| <b>Change in net assets</b>                          | <b>\$ (167,549)</b>      | <b>\$ (726)</b>           | <b>\$ (32,423)</b> | <b>\$ (33,149)</b> |

# 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, 2016

|  | Brown County<br>Human<br>Services<br>Department | Western<br>Wisconsin Cares | Marathon<br>County<br>Health<br>Department | Barron<br>County<br>Restorative<br>Justice |
|--|---|----------------------------|--|--|
|  | Work<br>Services                                | Work<br>Services           | Restorative<br>Justice                     | Restorative<br>Justice                     |
| Public support and revenue:                          |   |                            |  |  |
| Human Services Department                            | \$ 377  | \$ 0                       | \$ 64,507                                  | \$ 32,650                                  |
| Wisconsin Department of Vocational<br>Rehabilitation | 0   | 0                          | 0  | 0  |
| Contributions  | 0   | 0                          | 0  | 0  |
| Retail sales   | 0   | 0                          | 0  | 0  |
| Program fees   | 0   | 15,243                     | 2,800                                      | 0  |
| <b>Total public support and revenue</b>              | <b>377</b>                                      | <b>15,243</b>              | <b>67,307</b>                              | <b>32,650</b>                              |
| Expenses:  |   |                            |  |  |
| Salaries - Clients                                   | 1,276   | 17,382                     | 0  | 0  |
| Salaries - Staff                                     | 194   | 7,853                      | 40,215                                     | 29,540                                     |
| Fringe benefits                                      | 113   | 1,932                      | 10,676                                     | 8,149                                      |
| Office supplies                                      | 0   | 5                          | 252  | 90   |
| Administrative fees                                  | 0   | 0                          | 0  | 491  |
| Industrial supplies                                  | 0   | 0                          | 0  | 37   |
| Janitorial supplies                                  | 0   | 0                          | 0  | 2  |
| Telephone  | 2   | 66                         | 480  | 870  |
| Postage and shipping                                 | 0   | 0                          | 278  | 57   |
| Rent   | 0   | 0                          |  | 1,854                                      |
| Insurance  | 0   | 0                          | 0  | 6  |
| Taxes  | 0   | 0                          | 0  | 0  |
| Advertising  | 0   | 0                          | 0  | 0  |
| Outside printing                                     | 0   | 0                          | 1,025                                      | 23   |
| Travel   | 10  | 388                        | 2,052                                      | 872  |
| Conferences and meetings                             | 0   | 0                          | 125  | 143  |
| Tools  | 0   | 0                          | 0  | 223  |
| Repairs and maintenance - Equipment                  | 0   | 0                          | 0  | 161  |
| Referrals  | 0   | 0                          | 0  | 117  |
| Miscellaneous  | 0   | 0                          | 1,515                                      | 940  |
| Dues and subscriptions                               | 0   | 0                          | 0  | 6  |
| Depreciation and amortization                        | 2   | 75                         | 347  | 947  |
| <b>Total direct expenses</b>                         | <b>1,597</b>                                    | <b>27,701</b>              | <b>56,965</b>                              | <b>44,528</b>                              |
| Allocation of support services                       | 25  | 1,009                      | 4,455                                      | 2,161                                      |
| <b>Total expenses</b>                                | <b>1,622</b>                                    | <b>28,710</b>              | <b>61,420</b>                              | <b>46,689</b>                              |
| <b>Change in net assets</b>                          | <b>\$ (1,245)</b>                               | <b>\$ (13,467)</b>         | <b>\$ 5,887</b>                            | <b>\$ (14,039)</b>                         |

# 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, 2016

|  | Eau Claire<br>County<br>Restorative<br>Justice | Community Care        |                    | Total<br>Community<br>Care |
|--|--|-----------------------|--------------------|----------------------------|
|  |  | Vocational<br>Support | Work<br>Services   |                            |
| Public support and revenue:                          |  |                       |                    |                            |
| Human Services Department                            | \$ 91,264                                      | \$ 0                  | \$ 0               | \$ 0                       |
| Wisconsin Department of Vocational<br>Rehabilitation | 0  | 0                     | 0                  | 0                          |
| Contributions  | 10,128   | 0                     | 0                  | 0                          |
| Retail sales   | 0  | 0                     | 0                  | 0                          |
| Program fees   | 0  | 313,756               | 86,842             | 400,598                    |
| <b>Total public support and revenue</b>              | <b>101,392</b>                                 | <b>313,756</b>        | <b>86,842</b>      | <b>400,598</b>             |
| Expenses:  |  |                       |                    |                            |
| Salaries - Clients                                   | 0  | 148                   | 81,323             | 81,471                     |
| Salaries - Staff                                     | 70,239   | 236,806               | 44,743             | 281,549                    |
| Fringe benefits                                      | 18,645   | 61,143                | 9,651              | 70,794                     |
| Office supplies                                      | 105  | 620                   | 31                 | 651                        |
| Administrative fees                                  | 34   | 1,945                 | 0                  | 1,945                      |
| Industrial supplies                                  | 0  | 200                   | 0                  | 200                        |
| Janitorial supplies                                  | 0  | 0                     | 0                  | 0                          |
| Telephone  | 0  | 2,987                 | 374                | 3,361                      |
| Postage and shipping                                 | 0  | 163                   | 2                  | 165                        |
| Rent   | 0  | 0                     | 0                  | 0                          |
| Insurance  | 0  | 0                     | 0                  | 0                          |
| Taxes  | 0  | 0                     | 0                  | 0                          |
| Advertising  | 0  | 0                     | 0                  | 0                          |
| Outside printing                                     | 0  | 144                   | 0                  | 144                        |
| Travel   | 2,602  | 18,647                | 2,208              | 20,855                     |
| Conferences and meetings                             | 0  | 0                     | 0                  | 0                          |
| Tools  | 0  | 0                     | 0                  | 0                          |
| Repairs and maintenance - Equipment                  | 0  | 0                     | 0                  | 0                          |
| Referrals  | 0  | 0                     | 0                  | 0                          |
| Miscellaneous  | 10,104   | 10                    | 0                  | 10                         |
| Dues and subscriptions                               | 0  | 0                     | 0                  | 0                          |
| Depreciation and amortization                        | 200  | 2,164                 | 427                | 2,591                      |
| <b>Total direct expenses</b>                         | <b>101,929</b>                                 | <b>324,977</b>        | <b>138,759</b>     | <b>463,736</b>             |
| Allocation of support services                       | 6,711  | 20,768                | 6,541              | 27,309                     |
| <b>Total expenses</b>                                | <b>108,640</b>                                 | <b>345,745</b>        | <b>145,300</b>     | <b>491,045</b>             |
| <b>Change in net assets</b>                          | <b>\$ (7,248)</b>                              | <b>\$ (31,989)</b>    | <b>\$ (58,458)</b> | <b>\$ (90,447)</b>         |

# 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, 2016

|  | Lakeland Care District |                    | Total<br>Lakeland<br>Care<br>District | Diverse and<br>Resilient, Inc.<br>HIV Prevention<br>Activities | Total               |
|--|------------------------|--------------------|---------------------------------------|--|---------------------|
|  | Vocational<br>Support  | Work<br>Services   |                                       |  |                     |
| Public support and revenue:                          |                        |                    |                                       |  |                     |
| Human Services Department                            | \$ 0                   | \$ 0               | \$ 0                                  | \$ 0   | \$ 930,148          |
| Wisconsin Department of Vocational<br>Rehabilitation | 0                      | 0                  | 0                                     | 0  | 0                   |
| Contributions  | 0                      | 0                  | 0                                     | 0  | 10,128              |
| Retail sales   | 0                      | 0                  | 0                                     | 0  | 69,118              |
| Program fees   | 120,930                | 65,544             | 186,474                               | 9,000  | 670,336             |
| <b>Total public support and revenue</b>              | <b>120,930</b>         | <b>65,544</b>      | <b>186,474</b>                        | <b>9,000</b>   | <b>1,679,730</b>    |
| Expenses:  |                        |                    |                                       |  |                     |
| Salaries - Clients                                   | 57                     | 99,604             | 99,661                                | 0  | 249,743             |
| Salaries - Staff                                     | 91,271                 | 33,770             | 125,041                               | 17,335   | 1,272,832           |
| Fringe benefits                                      | 23,566                 | 10,211             | 33,777                                | 4,582  | 340,265             |
| Office supplies                                      | 239                    | 23                 | 262                                   | 136  | 3,365               |
| Administrative fees                                  | 750                    | 0                  | 750                                   | 143  | 7,206               |
| Industrial supplies                                  | 77                     | 0                  | 77                                    | 143  | 495                 |
| Janitorial supplies                                  | 0                      | 0                  | 0                                     | 0  | 2                   |
| Telephone  | 1,151                  | 282                | 1,433                                 | 220  | 16,968              |
| Postage and shipping                                 | 63                     | 2                  | 65                                    | 17   | 1,745               |
| Rent   | 0                      | 0                  | 0                                     | 0  | 1,854               |
| Insurance  | 0                      | 0                  | 0                                     | 0  | 6                   |
| Taxes  | 0                      | 0                  | 0                                     | 0  | 0                   |
| Advertising  | 0                      | 0                  | 0                                     | 654  | 654                 |
| Outside printing                                     | 56                     | 0                  | 56                                    | 128  | 1,810               |
| Travel   | 7,187                  | 1,667              | 8,854                                 | 1,080  | 76,113              |
| Conferences and meetings                             | 0                      | 0                  | 0                                     | 80   | 1,932               |
| Tools  | 0                      | 0                  | 0                                     | 650  | 3,239               |
| Repairs and maintenance - Equipment                  | 0                      | 0                  | 0                                     | 0  | 2,179               |
| Referrals  | 0                      | 0                  | 0                                     | 0  | 117                 |
| Miscellaneous  | 4                      | 0                  | 4                                     | 934  | 13,507              |
| Dues and subscriptions                               | 0                      | 0                  | 0                                     | 0  | 6                   |
| Depreciation and amortization                        | 834                    | 322                | 1,156                                 | 730  | 10,404              |
| <b>Total direct expenses</b>                         | <b>125,255</b>         | <b>145,881</b>     | <b>271,136</b>                        | <b>26,832</b>  | <b>2,004,442</b>    |
| Allocation of support services                       | 8,005                  | 4,339              | 12,344                                | 596  | 111,979             |
| <b>Total expenses</b>                                | <b>133,260</b>         | <b>150,220</b>     | <b>283,480</b>                        | <b>27,428</b>  | <b>2,116,421</b>    |
| <b>Change in net assets</b>                          | <b>\$ (12,330)</b>     | <b>\$ (84,676)</b> | <b>\$ (97,006)</b>                    | <b>\$ (18,428)</b>   | <b>\$ (436,691)</b> |

# Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

## Schedule of Expenditures of Federal, State, and Local Awards Year Ended December 31, 2016

| Grantor Agency/Pass-Through<br>Agency Program Title  | Federal<br>CFDA<br>Number | State<br>ID<br>Number | Federal<br>Expenditures | State<br>Expenditures | Local<br>Expenditures |
|--|---------------------------|-----------------------|-------------------------|-----------------------|-----------------------|
| <u>Department of Housing and Urban Development</u>   |                           |                       |                         |                       |                       |
| Passed through the City of Neenah  |                           |                       |                         |                       |                       |
| Community Development Block Grant  | 14.218                    |                       | \$ 2,184                | \$ 0                  | \$ 0                  |
| <u>Department of the Treasury - Internal Revenue Service</u>   |                           |                       |                         |                       |                       |
| Volunteer Income Tax Assistance Matching Program   | 21.009                    |                       | 42,949                  | 0                     | 0                     |
| <u>U.S. Department of Education</u>  |                           |                       |                         |                       |                       |
| Passed through Wisconsin Departments of Health Services, Workforce Development, and various counties and agencies: |                           |                       |                         |                       |                       |
| Special Education Grants for Infants and Families With Disabilities  | 84.181                    |                       | 153,316                 | 0                     | 0                     |
| <u>U.S. Department of Health and Human Services</u>  |                           |                       |                         |                       |                       |
| Passed through Wisconsin Department of Health Services and various counties and agencies:                          |                           |                       |                         |                       |                       |
| Child Welfare Services - State grants  | 93.645                    |                       | 340                     | 0                     | 0                     |
| Foster Care - Title IV-E   | 93.658                    |                       | 609                     | 0                     | 0                     |
| Medical Assistance Program   | 93.778                    |                       | 216                     | 0                     | 0                     |
| <u>Passed Through Wisconsin Department of Health Services</u>  |                           |                       |                         |                       |                       |
| Passed through various counties and agencies:  |                           |                       |                         |                       |                       |
| Special Education Grants for Infants and Families With Disabilities  |                           | 435.550               | 0                       | 147,540               | 402,017               |
| Basic County Allocation  |                           | 435.561               | 0                       | 39,099                | 239                   |
| State of WI GPR  |                           | 437-3413              | 0                       | 38,112                | 0                     |
| Community Intervention Program   |                           | 437-3410              | 0                       | 13,891                | 110,023               |
| Children Long-Term Supports - Other  |                           | 435.871               | 0                       | 153                   | 19                    |
| <b>Total federal, state, and local awards</b>  |                           |                       | <b>\$ 199,614</b>       | <b>\$ 238,795</b>     | <b>\$ 512,298</b>     |

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

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### **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 of North Central Wisconsin, Inc. under programs of the federal and state governments, and local sources for the year ended December 31, 2016. The information in this schedule is presented in accordance with the requirements of the *Department of Health Services Audit Guide, 2016 Revision*, issued by the Wisconsin Department of Health Services. Because the schedule presents only a selected portion of the operations of Goodwill Industries of North Central Wisconsin, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Goodwill Industries of North Central Wisconsin, Inc.

### **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 the State of Wisconsin Department of Health Services Allowable Cost Policy Manual, 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, generally accepted auditing standards (GAAS), and the *Department of Health Services Audit Guide, 2016 Revision*, issued by the Wisconsin Department of Health Services, 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, 2016, 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 April 26, 2017. 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* or the *Department of Health Services Audit Guide* 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.

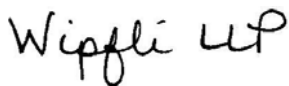
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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* and the *Department of Health Services Audit Guide, 2016 Revision*.

### **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* and the *Department of Health Services Audit Guide, 2016 Revision* 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

April 26, 2017  
Madison, Wisconsin

# Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Schedule of Findings and Questioned Costs  
Year Ended December 31, 2016

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## Section I Summary of Auditor's Results

### Financial Statements

|  |            |
|--|------------|
| Type of auditor's report issued  | Unmodified |
| Internal control over financial reporting:<br>Material weakness identified?  | No         |
| Significant deficiency identified not considered to<br>be material weakness? | No         |
| Noncompliance material to financial statements noted?                        | No         |

### State Awards

|  |    |
|--|----|
| Does the auditor's report or the notes to the financial<br>statements include disclosures with regard to substantial<br>doubt as to the auditee's ability to continue as a going<br>concern?                           | No |
| Does the audit report show audit issues related to<br>grants/contracts with funding agencies that require audits<br>to be in accordance with the <i>State Single Audit Guidelines</i><br>Department of Health Services | No |
| Identification of major federal program:   |    |

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

|  |           |
|--|-----------|
| Dollar threshold used to distinguish between Type A<br>and Type B programs | \$250,000 |
| Auditee qualified as low-risk auditee?                                     | Yes       |

# Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Schedule of Findings and Questioned Costs  
Year Ended December 31, 2016


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**Section I Summary of Auditor’s Results (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  
April 26, 2017

Date of report

**Section II Financial Statement Findings**

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

**Section III State Award Findings and Questioned Costs**

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

**Section IV Prior Year Audit Results**

There were no prior-year findings or questioned costs.