

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Menasha, Wisconsin

Consolidated Financial Statements and Supplementary Information

Years Ended December 31, 2015 and 2014

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Consolidated Financial Statements and Supplementary Information
Years Ended December 31, 2015 and 2014

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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, 2015 and 2014, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. The financial statements of Financial Information & Service Center, Inc. (FISC), Money Management Education Associates (MMEA), and Goodwill Industries Development Corporation were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries as of December 31, 2015 and 2014, 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.

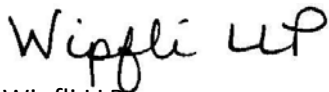
Other Matters

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 28 through 36 which is presented as required by the *Department of Health Services Audit Guide, 2014 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 28, 2016, 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 28, 2016

Madison, Wisconsin

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Consolidated Statements of Financial Position December 31, 2015 and 2014

<i>Assets</i>	2015	2014
Current assets:		
Cash and cash equivalents	\$ 9,117,756	\$ 10,784,306
Accounts receivable - Net	688,339	864,515
Inventories	10,801,206	10,294,337
Prepaid expenses and other	351,392	406,834
Total current assets	20,958,693	22,349,992
Property and equipment - Net	54,850,334	53,443,918
Interest in Community Foundations	1,036,258	1,077,282
Other assets:		
Deferred compensation	1,825,490	1,774,292
Restricted cash	1,303,520	941,515
Total current assets	3,129,010	2,715,807
TOTAL ASSETS	\$ 79,974,295	\$ 79,586,999

See accompanying notes to consolidated financial statements.

<i>Liabilities and Net Assets</i>	2015	2014
Current liabilities:		
Current maturities of long-term debt	\$ 2,276,394	\$ 2,267,114
Accounts payable	1,486,089	1,814,136
Accrued and other liabilities:		
Payroll	581,967	1,534,887
Other	1,378,690	1,270,359
Total current liabilities	5,723,140	6,886,496
Long-term liabilities:		
Long-term debt - Net	25,084,757	25,204,930
Deferred compensation	1,825,490	1,774,292
Other - Fair value of interest rate swap agreements	1,984,502	2,308,371
Total long-term liabilities	28,894,749	29,287,593
Total liabilities	34,617,889	36,174,089
Net assets:		
Unrestricted	44,841,730	42,848,900
Temporarily restricted	315,399	364,733
Permanently restricted	199,277	199,277
Total net assets	45,356,406	43,412,910
TOTAL LIABILITIES AND NET ASSETS	\$ 79,974,295	\$ 79,586,999

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Consolidated Statement of Activities Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently 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
Total public support	4,260,835	281,546	0	4,542,381
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
Total revenue	57,554,894	0	0	57,554,894
Net assets released from donor restrictions	323,453	(323,453)	0	0
Total public support and revenue	62,139,182	(41,907)	0	62,097,275
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
Total expenses	60,271,499	0	0	60,271,499
Excess of revenue over expenses	1,867,683	(41,907)	0	1,825,776
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
Total other nonoperating activities	125,147	(7,427)	0	117,720
Change in net assets	1,992,830	(49,334)	0	1,943,496
Net assets at beginning	42,848,900	364,733	199,277	43,412,910
Net assets at end	\$ 44,841,730	\$ 315,399	\$ 199,277	\$ 45,356,406

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Consolidated Statement of Activities Year Ended December 31, 2014

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

See accompanying notes to consolidated financial statements.

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Consolidated Statements of Cash Flows Years Ended December 31, 2015 and 2014

	2015	2014
Change in cash and cash equivalents:		
Cash flows from operating activities:		
Change in net assets	\$ 1,943,496	\$ 806,195
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Provision for depreciation	3,299,230	3,147,809
Amortization of debt issuance costs classified as interest expense	46,956	46,663
Change in fair value of interest rate swap agreements	(323,869)	156,440
Loss on disposal of property and equipment	169,390	186,348
Bad debt expense	20,207	12,656
Change in interest in Community Foundations	41,024	(18,508)
Changes in operating assets and liabilities:		
Accounts receivable - Net	155,969	459,674
Inventories	(506,869)	1,852,129
Prepaid expenses and other	55,442	(9,950)
Accounts payable	(328,047)	(497,215)
Accrued and other liabilities	(844,589)	227,587
Total adjustments	1,784,844	5,563,633
Net cash provided by operating activities	3,728,340	6,369,828
Cash flows from investing activities:		
Capital expenditures for property and equipment	(5,231,075)	(2,023,992)
Change in restricted cash	(362,005)	(4,386)
Proceeds from sale of property and equipment	356,039	186,276
Contribution to Community Foundations	0	(2,000)
Net cash used in investing activities	(5,237,041)	(1,844,102)

See accompanying notes to consolidated financial statements.

	2015	2014
Cash flows from financing activities:		
Principal payments on long-term debt	(2,292,442)	(2,225,517)
Issuance of long-term debt	2,171,250	0
Payments for deferred financing fees	(36,657)	0
Net cash used in financing activities	(157,849)	(2,225,517)
Change in cash and cash equivalents	(1,666,550)	2,300,209
Cash and cash equivalents at beginning	10,784,306	8,484,097
Cash and cash equivalents at end	\$ 9,117,756	\$ 10,784,306

Supplemental cash flow information:

Cash paid for interest	\$ 1,069,931	\$ 1,143,868
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Noncash financing and investing activities:

Change in assets held on behalf of employees in the deferred compensation plan	51,198	169,620
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Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Consolidated Statement of Functional Expenses Year Ended December 31, 2015

	Retail Services	Other Program Services	Fund-Raising	Management and 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 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
Total expenses	\$ 43,804,537	\$ 8,327,739	\$ 246,660	\$ 7,892,563	\$ 60,271,499

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Consolidated Statement of Functional Expenses Year Ended December 31, 2014

	Retail Services	Other Program Services	Fund-Raising	Management and General	Total
Expenses:					
Salaries - Clients	\$ 712,746	\$ 538,569	\$ 0	\$ 16,157	\$ 1,267,472
Salaries - Staff	17,715,813	4,244,829	145,323	4,579,859	26,685,824
Fringe benefits	6,122,475	1,417,607	48,489	1,373,630	8,962,201
Cost of sales	7,123,328	152,447	0	0	7,275,775
Administrative fees	1,275,539	157,644	0	590,378	2,023,561
Bad debts	0	12,656	0	0	12,656
Industrial supplies	809,251	81,294	699	37,184	928,428
Janitorial supplies	188,325	16,144	0	6,729	211,198
Telephone	149,759	47,032	187	65,908	262,886
Postage and shipping	1,696,901	20,068	1,534	21,402	1,739,905
Rent	719,395	39,344	0	0	758,739
Insurance	244,922	11,784	0	33,590	290,296
Interest	1,265,100	0	0	128,083	1,393,183
Property and other taxes	127,281	2,377	25	664	130,347
Advertising	761,048	20,959	0	123,573	905,580
Outside printing	13,912	19,881	(190)	18,707	52,310
Travel	682,611	221,087	266	172,425	1,076,389
Equipment rent	194,518	1,077	0	2,238	197,833
Trash removal	450,728	3,796	0	668	455,192
Conferences and meetings	6,975	17,672	285	18,582	43,514
Utilities	1,205,093	26,526	0	110,468	1,342,087
Tools	331,389	39,634	1,297	60,042	432,362
Repairs and maintenance - Land and building	556,221	253,330	0	45,988	855,539
Repairs and maintenance - Equipment	363,518	10,739	0	81,998	456,255
Referrals	5,673	850,808	0	0	856,481
Miscellaneous	35,018	403,820	86	155,635	594,559
In-kind donations	0	2,800	0	0	2,800
Dues and subscriptions	16,553	20,659	0	202,795	240,007
Depreciation	2,367,411	115,256	1,497	663,645	3,147,809
Total expenses	\$ 45,141,503	\$ 8,749,839	\$ 199,498	\$ 8,510,348	\$ 62,601,188

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1 Summary of Significant Accounting Policies

Organization Activity

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

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

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

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

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

Principles of Consolidation

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

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Basis of Presentation

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

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

Use of Estimates in Preparation of Financial Statements

The preparation of the accompanying consolidated financial statements in 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.

Accounts Receivable - Net

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

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Restricted Cash

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

Inventories

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

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

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

It is not practical to determine the fair value of goods donated during the course of the year. At December 31, 2015 and 2014, approximately 91% and 88%, 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

Note 1 Summary of Significant Accounting Policies (Continued)

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 \$741,408 were recognized in 2015. In 2014, cost of sales related to a decrease in donated inventory on hand was recognized in the amount of \$2,062,585. 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

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.

Change in Accounting Principle

In April 2015, the FASB Issued Accounting Standards Updated (ASU) No. 2015-03, *Interest – Imputation of Interest* (Subtopic 835-30). This ASU Amends subtopic 835 and provided simplification and consistency in presentation between debt issuance costs and debt discounts. This ASU requires that debt issuance costs related to a recognized debt liability be presented in the statement of financial position as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The guidance in this ASU is effective for the Organization's year ending December 31, 2016; however, the Organization chose to early adopt this new guidance for the year ended December 31, 2015. Long-term debt will now be presented net of debt issuance costs on the statements of financial position and the amortization of debt issuance costs will be presented as interest expense on the statement of activities. The change was applied retrospectively to these comparative financial statements and amounts reported for the year ended December 31, 2014 were restated to reflect the change.

Debt issuance costs of \$566,243 were removed from other assets and netted with long-term debt at December 31, 2014. There was no effect on net assets or the change in net assets as a result. Amortization expense of \$46,663 was reclassified as interest expense for 2014.

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

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.

Advertising Costs

Advertising costs are expensed as incurred.

Note 2 Accounts Receivable - Net

Accounts receivable consisted of the following at December 31:

	2015	2014
Program and contracts receivable	\$ 770,958	\$ 947,134
<u>Less - Allowance for doubtful accounts</u>	<u>82,619</u>	<u>82,619</u>
<u>Accounts receivable - Net</u>	<u>\$ 688,339</u>	<u>\$ 864,515</u>

Note 3 Restricted Cash

Restricted cash consisted of the following at December 31:

	2015	2014
Health and dental insurance cash reserve fund for future claims	\$ 633,469	\$ 482,194
Payment partner funds	667,835	457,105
<u>Other</u>	<u>2,216</u>	<u>2,216</u>
<u>Total restricted cash</u>	<u>\$ 1,303,520</u>	<u>\$ 941,515</u>

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 4 Interest in Community Foundations

As of December 31, 2015 and 2014, funds with a fair value totaling \$1,036,258 and \$1,077,282, 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").

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 a decrease of \$41,024 in 2015 and an increase of \$18,508 in 2014 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.

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 5 Property and Equipment - Net

Property and equipment consisted of the following at December 31:

	2015	2014
Land and land improvements	\$17,565,567	\$16,722,915
Buildings and improvements	47,523,634	45,489,670
Furniture and equipment	16,270,733	15,008,434
Construction in progress	76,436	195,750
Total property and equipment	81,436,370	77,416,769
Less - Accumulated depreciation	26,586,036	23,972,851
<u>Property and equipment, net</u>	<u>\$54,850,334</u>	<u>\$53,443,918</u>

Construction in progress as of December 31, 2015 and 2014, consists of costs to purchase and construct store locations throughout Wisconsin as well as remodeling and updating of current locations.

Note 6 Endowment

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

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

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.

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 6 Endowment (Continued)

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.

Changes in endowment funds were as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowments at January 1, 2014	\$ 30,575	\$ 197,277	\$ 227,852
Net appreciation	7,032	0	7,032
Contributions	0	2,000	2,000
Endowments at December 31, 2014	37,607	199,277	236,884
Net depreciation	(7,427)	0	(7,427)
Endowments at December 31, 2015	\$ 30,180	\$ 199,277	\$ 229,457

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 0.4275% at December 31, 2015. 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, 2015.

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 8 Long-Term Debt

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

	2015	2014
City of Tomah, Wisconsin, Industrial Revenue Bonds, Series 2002, dated September 27, 2002, payable in monthly installments of \$36,658 including interest at 0.62% (interest rate resets in September 2017) secured by land and buildings, matures September 2022.	\$ 2,108,616	\$ 2,534,006
Wisconsin Health and Educational Facilities Authority Revenue Bonds, Series 2005, dated November 17, 2005, at variable interest rates (effective rate of 4.16% with swap agreement—Note 10), secured by land and buildings, maturing in varying amounts through November 2025.	7,125,000	7,650,000
City of Wisconsin Rapids, Wisconsin, Industrial Revenue Bonds, Series 2000, dated December 1, 2000, payable in monthly installments of \$4,223 including interest at a fixed rate of 1.86%, rate adjusted to 96% of the 5-year federal T-bill rate in January 2006, January 2011, and January 2016, (5-year federal T-bill rate at December 31, 2015, was 1.76%), secured by land and buildings, matures July 2017.	42,697	92,061
Town of Grand Chute, Wisconsin, Industrial Revenue Bonds, Series 1996, dated October 1, 1996, payable in monthly installments of \$12,904 including interest at 4.85%, secured by land and buildings, paid in full as of December 31, 2015.	0	115,410
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%.	31,059	90,987

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:

	2015	2014
Wisconsin Health and Education Facilities Authority Revenue Bonds, Series 2008, dated May 15, 2008, at variable interest rates (effective rate of 4.16% with swap agreement—Note 10), secured by land and buildings, maturing in varying amounts through November 2028.	\$ 6,110,000	\$ 6,600,000
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.	9,204,692	9,656,448
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.	1,141,875	1,299,375
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, 2015); secured by land and buildings.	2,153,156	0
Totals	27,917,095	28,038,287
Less - Current maturities	2,276,394	2,267,114
Long-term portion	25,640,701	25,771,173
Less – Debt issuance costs	555,944	566,243
<u>Long-term portion – net of debt issuance costs</u>	<u>\$25,084,757</u>	<u>\$25,204,930</u>

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 8 Long-Term Debt (Continued)

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, 2015 and 2014, were \$555,944 and \$566,243, respectively, with accumulated amortization of \$307,051 and \$260,095, respectively. Amortization was \$46,956 and \$46,663 during 2015 and 2014, 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 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 2014 to 6 cents in early 2015. The Organization met the challenge of that shortfall without affecting the mission.

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 \$13,667,852 and \$14,935,685 at December 31, 2015 and 2014, 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, 2015, including current maturities, are summarized as follows:

2016	\$ 2,276,394
2017	2,290,127
2018	2,352,315
2019	2,429,714
2020	4,060,077
Thereafter	14,508,468
Total	\$27,917,095

Note 9 Temporarily and Permanently Restricted Net Assets

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

	2015	2014
Contributions restricted for future periods	\$ 285,220	\$ 327,127
Other	30,179	37,606
Total temporarily restricted net assets	\$ 315,399	\$ 364,733

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 9 **Temporarily and Permanently Restricted Net Assets (Continued)**

Permanently restricted net assets were \$199,277 as of December 31, 2015 and 2014, 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, 2015 and 2014. The interest rate swap agreement matures June 1, 2023, and is recorded at fair value, which is the amount at which it could be settled.

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

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

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

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 10 Interest Rate Swap Agreements (Continued)

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

The fair value of the swap agreements is recorded on the accompanying consolidated statement of financial position as a liability and totaled \$1,984,502 and \$2,308,371 as of December 31, 2015 and 2014, respectively. The interest rate swaps reflect a liability balance due to decreases in market rates since inception. For the years ended December 31, 2015 and 2014, \$323,869 and (\$156,440), 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 \$946,000 and \$759,000 for the years ended December 31, 2015 and 2014, respectively.

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

2016	\$ 908,046
2017	777,730
2018	348,913
2019	337,706
2020	308,605
Thereafter	84,678
Total	\$ 2,765,678

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 12 Retirement Plans

The Organization has a defined contribution pension plan covering substantially all employees who work at least 1,000 hours during the plan year. The plan provides for a matching contribution by the Organization equal to 50% of the employee's total contribution with the maximum contribution being equal to 3% of the employee's total compensation. In addition, the Organization has a safe harbor contribution equal to 3% of the employee's total compensation. Pension expense totaled \$926,519 and \$869,238 for the years ended December 31, 2015 and 2014, respectively.

The Organization also contributes to a deferred compensation plan available for officers of the Organization. Deferred compensation expense totaled \$86,490 and \$76,483 for the years ended December 31, 2015 and 2014, respectively.

Note 13 Self-Funded Health Insurance

Goodwill Industries sponsors a self-funded health insurance plan covering certain employees and their dependents, as well as FISC employees and their dependents. The health insurance expense is based upon actual claims paid, administration fees, and provisions for unpaid and unreported claims at year-end. Employer-paid health insurance expense was approximately \$4.1 million and \$4.2 million for the years ended December 31, 2015 and 2014, 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 \$5.1 million in 2015). As of December 31, 2015 and 2014, the obligation for self-funded insurance claims incurred but not reported was approximately \$470,000 and \$467,000, 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

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 45,000 and 40,000 volunteer hours were contributed in 2015 and 2014, 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, 2015, is as follows:

2015	Fair Value Measurements Using			Total Assets (Liabilities) 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
Interest in Community Foundations	0	0	1,036,258	1,036,258
Totals assets	\$ 1,614,441	\$ 211,049	\$ 1,036,258	\$ 2,861,748

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 (Liabilities) at Fair Value
	Level 1	Level 2	Level 3	
Liabilities:				
Interest rate swap agreements	\$ 0	\$ (1,984,502)	\$ 0	\$ (1,984,502)

Changes in Level 3 recurring measurements are as follows:

	2015	2014
Interest in Community Foundations – Beginning of the year	\$1,077,282	\$ 1,056,774
Contributions	0	2,000
Net appreciation (depreciation)	(41,024)	18,508
Interest in Community Foundations – End of the year	\$ 1,036,258	\$1,077,282

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, 2014, is as follows:

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

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

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

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

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 28, 2016, which is the date the consolidated financial statements were available to be issued.

In January 2016, the Organization entered into a construction contract in the amount of \$367,190 for remodeling of the existing store in Ashwaubenon, Wisconsin. A contract revision in March 2016 increased the contract to \$374,794.

In April 2015, the Organization made an offer to purchase land in Oshkosh, Wisconsin for \$685,000. The Organization has until May 2016 to perform due diligence and finalize the contract.

In April 2016, the Organization made offers to purchase two separate properties adjacent to the retail store and campus in Menasha, Wisconsin for \$377,000 in total. The Organization has until June 2016 to perform due diligence and finalize the contract.

Supplementary Information

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Reserve Supplemental Schedule - Outagamie County Year Ended December 31, 2015

Various Programs

1. Total units of service	<u>See below*</u>
2. Allowable expenses for rate-based service	<u>\$ 199,632</u>
3. Total revenue for rate-based service	<u>\$ 63,213</u>
4. Deficiency of revenue over expenses (line 3 less line 2)	<u>\$ (136,419)</u>
5. Total reserve from all prior periods (not including this period)	<u>\$ (1,030,701)</u>
6. Calculation of reserve and amounts due to purchaser:	

Purchaser (6a)	Revenue From Purchaser (6b)	Purchaser's Share of Total Revenue (6c)	Purchaser's Share of Deficiency of Revenue (6d)	First Test			Second Test				Total Amount Due to Purchaser (6m)	
				Cap on Reserve for First Test (6e)	Amount to Add to Reserve for This Period (6f)	Amount Due to Purchaser From First Test (6g)	Purchaser's Share of Reserve From Prior Periods (6h)	Purchaser's Share of Reserve From All Periods (6i)	Cap on Reserve for Second Test (6j)	Amount of Reserve (6k)		Amount Due to Purchaser From Second Test (6l)
Outagamie County Health & Human Services	\$ 63,213	100%	\$ (136,419)	\$ 3,161	\$ (136,419)	\$ 0	\$ (1,030,701)	\$ (1,167,120)	\$ 6,321	\$ (1,167,120)	\$ 0	\$ 0

*Work Services 7,832
Vocational Support Services (VSS) 206

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Reserve Supplemental Schedule - Calumet County Year Ended December 31, 2015

Various Programs

1. Total units of service	<u>See below*</u>
2. Allowable expenses for rate-based service	<u>\$ 1,598</u>
3. Total revenue for rate-based service	<u>\$ 1,409</u>
4. Deficiency of revenue over expenses (line 3 less line 2)	<u>\$ (189)</u>
5. Total reserve from all prior periods (not including this period)	<u>\$ (256,361)</u>

6. Calculation of reserve and amounts due to purchaser:

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

Calumet County
Department of Human
Services

\$ 1,409	100%	\$ (189)	70	\$ (189)	0	\$ (256,361)	\$ (256,550)	141	\$ (256,550)	0	\$ 0
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*VSS

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Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Reserve Supplemental Schedule - Brown County Year Ended December 31, 2015

Various Programs

1. Total units of service	<u>See below*</u>
2. Allowable expenses for rate-based service	<u>\$ 128,381</u>
3. Total revenue for rate-based service	<u>\$ 58,998</u>
4. Deficiency of revenue over expenses (line 3 less line 2)	<u>\$ (69,383)</u>
5. Total reserve from all prior periods (not including this period)	<u>\$ (961,168)</u>
6. Calculation of reserve and amounts due to purchaser	

Purchaser (6a)	Revenue From Purchaser (6b)	Purchaser's Share of Total Revenue (6c)	First Test				Second Test				Total Amount Due to Purchaser (6m)	
			Purchaser's Share of Deficiency of Revenue (6d)	Cap on Reserve for First Test (6e)	Amount to Add to Reserve for This Period (6f)	Amount Due to Purchaser From First Test (6g)	Purchaser's Share of Reserve From Prior Periods (6h)	Purchaser's Share of Reserve From All Periods (6i)	Cap on Reserve for Second Test (6j)	Amount of Reserve (6k)		Amount Due to Purchaser From Second Test (6l)
Brown County Human Services Department	\$ 58,998	100%	\$ (69,383)	\$ 2,950	\$ (69,383)	\$ 0	\$ (961,168)	\$ (1,030,551)	\$ 5,900	\$ (1,030,551)	\$ 0	\$ 0

*Work Services 12,421

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Schedule of Revenue and Expense by Funding Source and by Contract Year Ended December 31, 2015

	Winnebago	Outagamie County Health &		Total Outagamie County Health & Human Services
	County Human Services	Human Services		
	Early Intervention	Vocational Support	Work Services	
Public support and revenue:				
Human Services Department	\$ 696,080	\$ 26,033	\$ 37,180	\$ 63,213
Wisconsin Department of Vocational Rehabilitation	0	0	0	0
Contributions	30	0	0	0
Retail sales	0	0	101,295	101,295
Program fees	65,347	0	0	0
Total public support and revenue	761,457	26,033	138,475	164,508
Expenses:				
Salaries - Clients	0	29	69,502	69,531
Salaries - Staff	656,815	19,070	54,521	73,591
Fringe benefits	210,845	6,114	31,484	37,598
Office supplies	2,461	56	73	129
Administrative fees	7,417	172	0	172
Industrial supplies	613	0	0	0
Janitorial supplies	0	0	0	0
Telephone	9,174	269	420	689
Postage and shipping	1,134	14	145	159
Rent	0	0	0	0
Insurance	0	0	0	0
Taxes	0	0	0	0
Advertising	0	0	0	0
Outside printing	820	0	0	0
Travel	39,743	1,652	3,064	4,716
Conferences and meetings	1,990	0	64	64
Tools	803	0	11	11
Repairs and maintenance - Equipment	3,058	0	0	0
Referrals	0	0	0	0
Miscellaneous	0	5	0	5
Dues and subscriptions	262	0	0	0
Depreciation and amortization	3,849	190	387	577
Total direct expenses	938,984	27,571	159,671	187,242
Allocation of support services	57,350	1,961	10,429	12,390
Total expenses	996,334	29,532	170,100	199,632
Change in net assets	\$ (234,877)	\$ (3,499)	\$ (31,625)	\$ (35,124)

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, 2015

	Calumet County Department of Human Services	BROWN COUNTY Human Services Department	Western Wisconsin Cares	Marathon County Health Department
	Vocational Support	Work Services	Work Services	Restorative Justice
Public support and revenue:				
Human Services Department	\$ 1,409	\$ 58,998	\$ 22,526	\$ 54,861
Wisconsin Department of Vocational Rehabilitation	0	0	0	0
Contributions	0	0	0	750
Retail sales	0	0	0	0
Program fees	0	0	0	2,520
Total public support and revenue	1,409	58,998	22,526	58,131
Expenses:				
Salaries - Clients	2	90,502	33,864	1,179
Salaries - Staff	1,032	23,229	8,869	40,194
Fringe benefits	331	8,433	3,169	12,798
Office supplies	3	31	12	561
Administrative fees	9	0	0	0
Industrial supplies	0	0	0	0
Janitorial supplies	0	0	0	0
Telephone	15	179	68	545
Postage and shipping	1	62	24	110
Rent	0	0	0	0
Insurance	0	0	0	0
Taxes	0	0	0	85
Advertising	0	0	0	0
Outside printing	0	0	0	190
Travel	89	1,305	498	2,026
Conferences and meetings	0	27	10	110
Tools	0	5	2	0
Repairs and maintenance - Equipment	0	0	0	0
Referrals	0	0	0	0
Miscellaneous	0	0	0	0
Dues and subscriptions	0	0	0	0
Depreciation and amortization	10	165	63	174
Total direct expenses	1,492	123,938	46,579	57,972
Allocation of support services	106	4,443	1,697	4,378
Total expenses	1,598	128,381	48,276	62,350
Change in net assets	\$ (189)	\$ (69,383)	\$ (25,750)	\$ (4,219)

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, 2015

	Barron County Restorative Justice	Eau Claire County Restorative Justice	Community Care		Total Community Care
			Vocational Support	Work Services	
Public support and revenue:					
Human Services Department	\$ 32,650	\$ 95,639	\$ 0	\$ 0	\$ 0
Wisconsin Department of Vocational Rehabilitation	0	0	0	0	0
Contributions	0	5,619	0	0	0
Retail sales	0	0	0	0	0
Program fees	0	0	237,625	53,203	290,828
Total public support and revenue	32,650	101,258	237,625	53,203	290,828
Expenses:					
Salaries - Clients	0	0	261	104,977	105,238
Salaries - Staff	33,412	69,019	174,071	20,947	195,018
Fringe benefits	10,647	22,134	55,805	9,337	65,142
Office supplies	296	429	508	28	536
Administrative fees	1,577	17	1,568	0	1,568
Industrial supplies	46	0	0	0	0
Janitorial supplies	1	0	0	0	0
Telephone	989	0	2,451	162	2,613
Postage and shipping	57	277	127	56	183
Rent	1,794	0	0	0	0
Insurance	5	0	0	0	0
Taxes	0	0	0	0	0
Advertising	72	0	0	0	0
Outside printing	141	477	0	0	0
Travel	978	2,845	15,079	1,177	16,256
Conferences and meetings	64	140	0	25	25
Tools	233	600	0	4	4
Repairs and maintenance - Equipment	0	0	0	0	0
Referrals	129	0	0	0	0
Miscellaneous	623	5,352	49	0	49
Dues and subscriptions	16	0	0	0	0
Depreciation and amortization	831	100	1,738	149	1,887
Total direct expenses	51,911	101,390	251,657	136,862	388,519
Allocation of support services	2,459	7,626	17,897	4,007	21,904
Total expenses	54,370	109,016	269,554	140,869	410,423
Change in net assets	\$ (21,720)	\$ (7,758)	\$ (31,929)	\$ (87,666)	\$ (119,595)

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, 2015

	Lakeland Care District		Total	Diverse and	Total
	Vocational Support	Work Services	Lakeland Care District	Resilient, Inc. HIV Prevention Activities	
Public support and revenue:					
Human Services Department	\$ 0	\$ 0	\$ 0	\$ 9,500	\$ 1,034,876
Wisconsin Department of Vocational Rehabilitation	0	0	0	0	0
Contributions	0	0	0	0	6,399
Retail sales	0	0	0	0	101,295
Program fees	133,084	43,985	177,069	0	535,764
Total public support and revenue	133,084	43,985	177,069	9,500	1,678,334
Expenses:					
Salaries - Clients	146	79,940	80,086	0	380,402
Salaries - Staff	97,490	17,318	114,808	26,325	1,242,312
Fringe benefits	31,254	7,212	38,466	8,721	418,284
Office supplies	285	23	308	117	4,883
Administrative fees	878	0	878	343	11,981
Industrial supplies	0	0	0	571	1,230
Janitorial supplies	0	0	0	0	1
Telephone	1,373	134	1,507	820	16,599
Postage and shipping	71	46	117	0	2,124
Rent	0	0	0	0	1,794
Insurance	0	0	0	0	5
Taxes	0	0	0	0	85
Advertising	0	0	0	733	805
Outside printing	0	0	0	0	1,628
Travel	8,445	973	9,418	1,695	79,569
Conferences and meetings	0	20	20	0	2,450
Tools	0	3	3	0	1,661
Repairs and maintenance - Equipment	0	0	0	0	3,058
Referrals	0	0	0	0	129
Miscellaneous	27	0	27	569	6,625
Dues and subscriptions	0	0	0	0	278
Depreciation and amortization	973	123	1,096	608	9,360
Total direct expenses	140,942	105,792	246,734	40,502	2,185,263
Allocation of support services	10,023	3,313	13,336	716	126,405
Total expenses	150,965	109,105	260,070	41,218	2,311,668
Change in net assets	\$ (17,881)	\$ (65,120)	\$ (83,001)	\$ (31,718)	\$ (633,334)

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Schedule of Expenditures of Federal, State, and Local Awards Year Ended December 31, 2015

Grantor Agency/Pass-Through Agency Program Title	Federal CFDA Number	State ID Number	Federal Expenditures	State Expenditures	Local Expenditures
<u>U.S. Department of Agriculture</u>					
Farmer's market Promotion Program	10.168		\$ 12,402	\$ 0	\$ 0
<u>Department of the Treasury - Internal Revenue Service</u>					
Volunteer Income Tax Assistance Matching Program	21.009		45,000	0	0
<u>U.S. Department of Education</u>					
Passed through Wisconsin Departments of Health Services, Workforce Development, and various counties and agencies:					
Rehabilitation Service Vocational Rehabilitations Grants to States	84.126		343,729	0	0
Special Education Grants for Infants and Families With Disabilities	84.181		104,728	0	0
<u>U.S. Department of Health and Human Services</u>					
Passed through Wisconsin Department of Health Services and various counties and agencies:					
Temporary Assistance for Needy Families	93.558		10,697	0	0
Child Welfare Services - State grants	93.645		148	0	0
Foster Care - Title IV-E	93.658		247	0	0
Social Services Block Grant	93.667		18,409	0	0
Medical Assistance Program	93.778		82,098	0	0
Passed through Diverse and Resilient, Inc.					
HIV Prevention Activities	93.940		4,000	0	0
<u>Passed Through Wisconsin Department of Health Services</u>					
Passed through various counties and agencies:					
Community Youth and Family Aids Programs		410.313	0	16,059	11,744
Community Options Program		435.367	0	1,874	0
CIP II Community Relocate Non Fed		435.369	0	10	0
Intermediate Care - ICFMR NON FED		435.407	0	928	0
Children Long-Term Supports		435.450	0	38,256	0
Special Education Grants for Infants and Families With Disabilities		435.550	0	196,128	395,224
Basic County Allocation		435.561	0	35,878	217
Community Integration Program - CIP 1B NON FEDERAL		435.564	0	16,092	15,017
Community Intervention Program		410.302	0	4,270	28,380
<u>Wisconsin Department of Workforce Development</u>					
Passed through various counties and agencies:					
Vocational Rehabilitation		N/A	0	93,030	0
Total federal, state, and local awards			\$ 621,458	\$ 402,525	\$ 450,582

See Independent Auditor's Report

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

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

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

Note 1 Basis of Presentation

The accompanying schedule of expenditures of federal, state, and local awards (the "Schedule") includes the federal, state, and local grant activity of Goodwill Industries of North Central Wisconsin, Inc. under programs of the federal and state governments, and local sources for the year ended December 31, 2015. The information in this schedule is presented in accordance with the requirements of the *Department of Health Services Audit Guide, 2014 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, 2014 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, 2015, 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 28, 2016. 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.

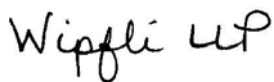
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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, 2014 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, 2014 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.



Wipfli LLP

April 28, 2016
Madison, Wisconsin

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Schedule of Findings and Questioned Costs
Year Ended December 31, 2015

Section I Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:
Material weakness identified? No

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

Noncompliance material to financial statements noted? No

State Awards

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

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

Department of Health Services No

Department of Workforce Development No

Identification of major federal program:

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

N/A	DVR – Work Services / Vocational Support Services
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Dollar threshold used to distinguish between Type A
and Type B programs \$100,000

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, 2015

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

Date of report

April 28, 2016

Section II Financial Statement Findings

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

Section III Federal Award Findings and Questioned Costs

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

Section IV Prior Year Audit Results

There were no prior-year findings or questioned costs.