

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

Menasha, Wisconsin

## Consolidated Financial Statements and Supplementary Information

Years Ended December 31, 2017 and 2016

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

Consolidated Financial Statements and Supplementary Information  
Years Ended December 31, 2017 and 2016

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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, 2017 and 2016, 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, 2017 and 2016, 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.

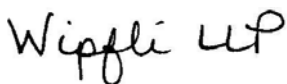
## **Other Matters**

### ***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 29 through 36 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 19, 2018, 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 solely 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 effectiveness of Goodwill Industries of North Central Wisconsin, Inc.'s 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 19, 2018  
Madison, Wisconsin

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

## Consolidated Statements of Financial Position December 31, 2017 and 2016

<i>Assets</i>	2017	2016
Current assets:		
Cash and cash equivalents	\$ 9,766,679	\$ 6,333,638
Designated cash	940,083	1,132,289
Accounts receivable - Net	1,097,272	1,082,990
Inventories	12,912,144	11,682,338
Prepaid expenses and other	376,042	303,795
Total current assets	25,092,220	20,535,050
Property and equipment - Net	54,836,573	57,196,470
Interest in Community Foundations	1,235,988	1,067,573
Other assets:		
Deferred compensation	2,230,561	2,010,598
Restricted cash	566,002	708,646
Total current assets	2,796,563	2,719,244
<b>TOTAL ASSETS</b>	<b>\$ 83,961,344</b>	<b>\$ 81,518,337</b>

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

## Consolidated Statements of Financial Position (Continued)

December 31, 2017 and 2016

<i>Liabilities and Net Assets</i>	2017	2016
Current liabilities:		
Current maturities of long-term debt	\$ 2,453,215	\$ 2,312,403
Accounts payable	1,498,556	2,015,858
Accrued and other liabilities:		
Payroll	1,175,235	1,044,486
Other	1,654,573	1,959,028
Total current liabilities	6,781,579	7,331,775
Long-term liabilities:		
Long-term debt - Net	22,235,076	22,763,070
Deferred compensation	2,230,561	2,010,598
Other - Fair value of interest rate swap agreements	1,115,850	1,401,677
Total long-term liabilities	25,581,487	26,175,345
Total liabilities	32,363,066	33,507,120
Net assets:		
Unrestricted	50,967,102	47,574,124
Temporarily restricted	431,899	237,816
Permanently restricted	199,277	199,277
Total net assets	51,598,278	48,011,217
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 83,961,344</b>	<b>\$ 81,518,337</b>

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

## Consolidated Statement of Activities Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenue:				
Public support:				
Government fees and grants	\$ 2,511,105	\$ 0	\$ 0	\$ 2,511,105
In-kind contributions	1,691,879	0	0	1,691,879
Contributions	1,462,396	387,674	0	1,850,070
<b>Total public support</b>	<b>5,665,380</b>	<b>387,674</b>	<b>0</b>	<b>6,053,054</b>
Revenue:				
Retail sales	46,172,832	0	0	46,172,832
Outlet store sales	1,195,905	0	0	1,195,905
Post-retail sales	3,072,991	0	0	3,072,991
E-Commerce	3,769,950	0	0	3,769,950
Contractivity	209,446	0	0	209,446
Program fees	809,369	0	0	809,369
Rental income	250,365	0	0	250,365
Miscellaneous	43,262	0	0	43,262
<b>Total revenue</b>	<b>55,524,120</b>	<b>0</b>	<b>0</b>	<b>55,524,120</b>
Net assets released from donor restrictions	226,295	(226,295)	0	0
<b>Total public support and revenue</b>	<b>61,415,795</b>	<b>161,379</b>	<b>0</b>	<b>61,577,174</b>
Expenses:				
Program services	50,820,088	0	0	50,820,088
Management and general	7,481,949	0	0	7,481,949
Fund-raising	180,770	0	0	180,770
<b>Total expenses</b>	<b>58,482,807</b>	<b>0</b>	<b>0</b>	<b>58,482,807</b>
<b>Excess of revenue over expenses</b>	<b>2,932,988</b>	<b>161,379</b>	<b>0</b>	<b>3,094,367</b>
Other nonoperating activities:				
Change in interest in Community Foundations	135,711	32,704	0	168,415
Loss on disposal of property and equipment	(19,424)	0	0	(19,424)
Investment income	57,876	0	0	57,876
Change in fair value of interest rate swaps	285,827	0	0	285,827
<b>Total other nonoperating activities</b>	<b>459,990</b>	<b>32,704</b>	<b>0</b>	<b>492,694</b>
Change in net assets	3,392,978	194,083	0	3,587,061
Net assets at beginning	47,574,124	237,816	199,277	48,011,217
<b>Net assets at end</b>	<b>\$ 50,967,102</b>	<b>\$ 431,899</b>	<b>\$ 199,277</b>	<b>\$ 51,598,278</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, 2016

	Unrestricted	Temporarily Restricted	Permanently 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	0	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 Statements of Cash Flows Years Ended December 31, 2017 and 2016

	2017	2016
Change in cash and cash equivalents:		
Cash flows from operating activities:		
Change in net assets	\$ 3,587,061	\$ 2,654,811
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Provision for depreciation	3,563,596	3,432,326
Amortization of debt issuance costs classified as interest expense	53,709	49,498
Change in fair value of interest rate swap agreements	(285,827)	(582,825)
Loss on sale of property and equipment	19,424	88,826
Change in interest in Community Foundations	(168,415)	(31,315)
Changes in operating assets and liabilities:		
Accounts receivable - Net	(14,282)	(394,651)
Inventories	(1,229,806)	(881,132)
Prepaid expenses and other	(72,247)	47,597
Accounts payable	(517,302)	529,769
Accrued and other liabilities	(173,706)	1,042,857
Total adjustments	1,175,144	3,300,950
Net cash provided by operating activities	4,762,205	5,955,761
Cash flows from investing activities:		
Capital expenditures for property and equipment	(1,231,033)	(5,892,188)
Change in restricted cash	142,644	(38,595)
Proceeds from sale of property and equipment	7,910	24,900
Net cash used in investing activities	(1,080,479)	(5,905,883)

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

## Consolidated Statements of Cash Flows (Continued) Years Ended December 31, 2017 and 2016

	2017	2016
<b>Cash flows from financing activities:</b>		
Principal payments on long-term debt	(2,354,778)	(2,323,682)
Issuance of long-term debt	2,036,774	0
Payments for deferred financing fees	(122,887)	(11,494)
<b>Net cash used in financing activities</b>	<b>(440,891)</b>	<b>(2,335,176)</b>
Change in cash and cash equivalents	3,240,835	(2,285,298)
Cash and cash equivalents at beginning	7,465,927	9,751,225
<b>Cash and cash equivalents at end</b>	<b>\$ 10,706,762</b>	<b>\$ 7,465,927</b>
<b>Supplemental cash flow information:</b>		
Cash paid for interest	\$ 995,017	\$ 1,045,469
<b>Noncash financing and investing activities:</b>		
Change in assets held on behalf of employees in the deferred compensation plan	219,963	185,108
Refinanced debt	2,962,453	0
<b>Reconciliation of Cash and Cash Equivalents:</b>		
Cash and cash equivalents	9,766,679	6,333,638
Designated cash	940,083	1,132,289
<b>Total cash and cash equivalents</b>	<b>10,706,762</b>	<b>7,465,927</b>

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

## Consolidated Statement of Functional Expenses

Year Ended December 31, 2017

	Retail Services	Other Program Services	Fund-Raising	Management and General	Total
Expenses:					
Salaries - Clients	\$ 463,022	\$ 456,816	\$ 0	\$ 4,363	\$ 924,202
Salaries - Staff	18,509,965	4,498,329	119,718	4,141,578	27,269,590
Fringe benefits	5,109,403	1,144,095	31,241	989,021	7,273,760
Cost of sales	4,768,881	2,928	0	0	4,771,809
Administrative fees	1,681,503	140,134	26,281	674,926	2,522,844
Industrial supplies	574,794	55,733	232	30,971	661,730
Janitorial supplies	198,549	296	0	17,768	216,613
Telephone	140,833	41,421	159	45,412	227,825
Postage and shipping	1,352,174	18,005	114	11,348	1,381,641
Rent	802,757	26,188	0	0	828,945
Insurance	284,184	6,889	0	44,206	335,279
Interest	1,085,045	0	0	129,622	1,214,667
Property and other taxes	168,542	74	0	332	168,948
Advertising	477,743	5,778	0	71,241	554,762
Outside printing	12,761	23,315	696	9,194	45,966
Travel	431,715	237,321	517	75,995	745,548
Equipment rent	310,639	5,098	0	7,744	323,481
Trash removal	525,761	0	0	2,468	528,229
Conferences and meetings	9,928	20,163	542	9,377	40,010
Utilities	1,131,425	985	0	120,382	1,252,792
Tools	423,376	14,815	0	33,166	471,357
Repairs and maintenance - Land and building	526,720	347,022	0	109,993	983,735
Repairs and maintenance - Equipment	273,569	1,926	0	80,605	356,100
Referrals	10,177	925,413	0	0	935,590
Miscellaneous	21,745	489,035	0	123,221	634,001
Dues and subscriptions	8,194	32,807	380	208,406	249,787
Depreciation	2,963,796	58,301	890	540,609	3,563,596
<b>Total expenses</b>	<b>\$ 42,267,201</b>	<b>\$ 8,552,887</b>	<b>\$ 180,770</b>	<b>\$ 7,481,949</b>	<b>\$ 58,482,807</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 Services	Other Program Services	Fund-Raising	Management and 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 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>

# 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**

In 2016, inventories of new goods that are purchased were valued at the lower of cost, determined on the first-in, first-out (FIFO) method, or market. In 2017, the Organization adopted Accounting Standard Update (ASU) 2015-11, "Inventory – Simplifying the Measurement of Inventory," which changed how inventory is valued. Inventories of new goods that are purchased are now valued at the lower of cost, determined on the FIFO method, or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The adoption of ASU 2015-11 did not have a material impact on the Organization's financial statements.

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, 2017 and 2016, approximately 94% and 89%, respectively, of inventories were composed of donated goods.

# 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)**

#### **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.

#### **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.

#### **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.

#### **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 \$1,691,879 and \$622,671 were recognized in 2017 and 2016. Sales of donated inventory are recognized when the transaction occurs and are reported in retail sales on the consolidated statements of activities.

#### **Functional Allocation of Expenses**

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### **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.

# 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)

#### Advertising Costs

Advertising costs are expensed as incurred.

#### Subsequent Events

Subsequent events have been evaluated April 19, 2018, which is the date the consolidated financial statements were available to be issued.

### Note 2: Accounts Receivable - Net

Accounts receivable consisted of the following at December 31:

	2017	2016
Program and contracts receivable	\$1,179,272	\$ 1,164,990
Less - Allowance for doubtful accounts	82,000	82,000
<u>Accounts receivable - Net</u>	<u>\$1,097,272</u>	<u>\$ 1,082,990</u>

### Note 3 Restricted Cash

Restricted cash consisted of the following at December 31:

	2017	2016
Payment partner funds	\$ 565,086	\$ 706,430
Other	916	2,216
<u>Total restricted cash</u>	<u>\$ 566,002</u>	<u>\$ 708,646</u>

### Note 4: Interest in Community Foundations

As of December 31, 2017 and 2016, funds with a fair value totaling \$1,235,988 and \$1,067,573 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 \$168,415 and \$31,315 in 2017 and 2016, respectively 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>2017</b>	<b>2016</b>
Land and land improvements	\$19,419,088	\$19,305,533
Buildings and improvements	49,944,597	49,597,162
Furniture and equipment	17,059,120	16,587,130
Construction in progress	4,640	202,251
Total property and equipment	86,427,445	85,692,076
Less - Accumulated depreciation	31,590,872	28,495,606
<u>Property and equipment, net</u>	<u>\$54,836,573</u>	<u>\$57,196,470</u>

Construction in progress as of December 31, 2017 and 2016, 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 Restricted	Permanently Restricted	Total
Endowments at January 1, 2016	\$ 30,180	199,277	229,457
Net appreciation	5,628	0	5,628
Endowments at December 31, 2016	35,808	199,277	235,085
Net appreciation	32,704	0	32,704
<u>Endowments at December 31, 2017</u>	<u>\$ 68,512</u>	<u>\$ 199,277</u>	<u>\$ 267,789</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 1.56% at December 31, 2017. The line of credit expires October 30, 2019. The line of credit is collateralized by equipment and inventories. No amounts were outstanding on the line of credit at December 31, 2017.

### Note 8 Long-Term Debt

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

	2017	2016
City of Tomah, Wisconsin, Industrial Revenue Bonds, Series 2002, dated September 27, 2002, payable in monthly installments of \$36,658 including interest at 1.7% secured by land and buildings, matures September 2022.	\$ 1,253,461	\$ 1,680,583
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.	5,990,000	6,575,000

# 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:

	2017	2016
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.	\$ 5,065,000	\$ 5,605,000
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 2.14% with multiple swap agreement—Note 10), secured by land and buildings, maturing in varying amounts through December 2030. The bonds will be remarketed every five years, in December 2020 and December 2025.	8,212,989	8,703,860
Wisconsin Health and Education Facilities Authority Revenue Bonds, Series 2017, dated April 1, 2017, at a variable interest rate (effective rates ranging from 1.71% to 2.09% with multiple swap agreements—Note 10), secured by land and buildings, maturing in varying amounts through April 2047. The bonds will be remarketed every five years in April 2022, April 2027 and April 2032.	4,753,959	0
Wisconsin Health and Education Facilities Authority Revenue Bonds, Series 2012, dated October 1, 2012, at a variable interest rate secured by land and buildings, refinanced into the Wisconsin Health and Education Facilities Authority Revenue Bonds, Series 2017	0	984,375

# 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:

	2017	2016
Mortgage dated October 30, 2015, payable in monthly principal and interest installments, at a variable interest rate, secured by land and buildings, refinanced into the Wisconsin Health and Education Facilities Authority Revenue Bonds, Series 2017	\$ 0	\$ 2,044,594
Totals	25,275,409	25,593,412
Less - Current maturities	2,453,215	2,312,403
Long-term portion	22,822,194	23,281,009
Less – Debt issuance costs	587,118	517,939
<u>Long-term portion – net of debt issuance costs</u>	<u>\$22,235,076</u>	<u>\$22,763,070</u>

The Wisconsin Health and Education Facilities Authority Revenue Bonds, Series 2017, dated April 1, 2017, have a maximum commitment to issue \$7,321,793. As of December 31, 2017, bond proceeds totaling \$5,021,793 had been issued, leaving \$2,300,000 left available to draw at a future date. Advances can be drawn from the available bond proceeds through the earlier of the full funding date (defined in the covenant agreement as April 27, 2018) or the completion date, which is the date the projects have been completed and paid for and are sufficient for the efficient operation as a project.

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, 2017 and 2016, were \$587,118 and \$517,939, respectively, with accumulated amortization of \$410,258 and \$356,549, respectively. Amortization was \$53,709 and \$49,498 during 2017 and 2016, respectively and is included in interest expense.

Certain notes described above are subject to certain performance and financial covenants.

# 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 \$11,256,884 and \$12,433,541 at December 31, 2017 and 2016, 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, 2017, including current maturities, are summarized as follows:

2018	\$ 2,453,215
2019	2,534,807
2020	2,578,303
2021	2,248,871
2022	2,336,371
Thereafter	13,123,842
<b>Total</b>	<b>\$25,275,409</b>

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

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

	2017	2016
Contributions restricted for future periods	\$ 363,387	\$ 202,008
Other	68,512	35,808
<b>Total temporarily restricted net assets</b>	<b>\$ 431,899</b>	<b>\$ 237,816</b>

Permanently restricted net assets were \$199,277 as of December 31, 2017 and 2016, 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 has entered into master agreements with a financial institution for blended interest rate swap transactions to reduce the impact of changes in interest rates on its variable rate long-term debt. The agreements effectively change the interest rate exposure on the variable rate bonds to a fixed rate. The interest rate swaps are 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

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

Issuance	Notional Amount	Date	Fixed Rate	Maturity		Swap Option Period	
				Date			
WHEFA Series 2005	\$ 11,310,000	11/17/2005	4.160%	6/1/2023		N/A	
WHEFA Series 2008	9,255,000	5/15/2008	4.160%	6/1/2023		N/A	
WHEFA Series 2010	2,662,500	1/13/2012	2.140%	2/1/2031	1/1/2016 - 1/1/2031		*
WHEFA Series 2010	1,146,323	10/26/2012	1.960%	2/1/2031	1/1/2016 - 1/1/2031		*
WHEFA Series 2010	2,145,000	5/1/2013	2.010%	2/1/2031	1/1/2016 - 1/1/2031		*
WHEFA Series 2012	1,456,875	12/5/2013	1.710%	3/1/2023	1/1/2016 - 1/1/2031		*
WHEFA Series 2017	1,963,172	10/30/2017	2.050%	12/1/2035	4/1/2022 - 11/1/2035		*
WHEFA Series 2017	1,890,281	10/30/2017	2.090%	12/1/2035	4/1/2022 - 11/1/2035		*

\* This swap agreement contains a swap option in which Goodwill Industries can terminate the swap agreement. This option can only be exercised during the period identified.

The first two swap agreements listed below were terminated in 2017 and replaced with the last two swap agreements as identified below.

Issuance	Notional Amount	Date	Fixed Rate	Maturity		Swap Option Period	
				Date			
WHEFA Series 2010	\$ 3,042,643	2/2/2011	3.085%	2/1/2031		N/A - swap terminated	
WHEFA Series 2010	1,575,000	7/1/2011	2.890%	2/1/2031		N/A - swap terminated	
WHEFA Series 2010	2,426,280	10/31/2017	2.050%	2/1/2031	12/1/2020 - 12/1/2030		
WHEFA Series 2010	1,255,944	10/30/2017	2.060%	2/1/2031	12/1/2020 - 12/1/2030		

The agreements for the swap instruments listed above contain an index floating rate whereby the interest rate on the bonds will be reset monthly at 67% of one month LIBOR plus an applicable spread based on the term of the rate period of 184 basis points.

The fair value of the swap agreements is recorded on the accompanying consolidated statement of financial position as a liability and totaled \$1,115,850 and \$1,401,677 as of December 31, 2017 and 2016, respectively. The interest rate swaps reflect a liability balance due to decreases in market rates since inception. For the years ended December 31, 2017 and 2016, \$285,827 and \$582,824, respectively, was recorded as income and is included in 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.

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

## Notes to Consolidated Financial Statements

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### 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. In addition, the Organization rents various equipment used in operations. Rental expense for all leases totaled approximately \$1,109,000 and \$1,050,000 for the years ended December 31, 2017 and 2016, respectively.

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

2018	\$ 1,106,774
2019	890,465
2020	838,849
2021	603,792
2022	606,414
Thereafter	6,520,140
<b>Total</b>	<b>\$10,566,434</b>

### 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 discretionary matching contribution by the Organization equal to 100% of the employee's total contribution with the maximum contribution of up to 6% of the employee's total compensation. Pension expense totaled \$248,219 and \$638,527 for the years ended December 31, 2017 and 2016, respectively.

The Organization has a deferred compensation plan available for officers of the Organization and may make discretionary matching contributions to the plan. Deferred compensation expense totaled \$81,000 for the year ended December 31, 2016. There was no matching contribution made for the year ended December 31, 2017.

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

## Notes to Consolidated Financial Statements

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### **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 \$3.7 million and \$3.5 million for the years ended December 31, 2017 and 2016, 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 2017). As of December 31, 2017 and 2016, the obligation for self-funded insurance claims incurred but not reported was approximately \$440,000 and \$460,000, respectively, and is recorded in other liabilities on the consolidated statements of financial position.

### **Note 14: Concentration of Credit Risk**

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

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

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

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

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

## Notes to Consolidated Financial Statements

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### **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 37,600 and 41,000 volunteer hours were contributed in 2017 and 2016, respectively.

### **Note 16: Fair Value Measurements**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Following is a description of the valuation methodology used for each:

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

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

## Notes to Consolidated Financial Statements

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

Information regarding assets measured at fair value on a recurring basis as of December 31, 2017, is as follows:

2017	Fair Value Measurements Using			Total Assets (Liabilities) at Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Deferred compensation:				
Cash and equivalents	\$ 0	\$ 167,601	\$ 0	\$ 167,601
Equity mutual funds:				
Growth funds	1,128,264	0	0	1,128,264
Large blend funds	349,469	0	0	349,469
Value funds	262,784	0	0	262,784
Fixed income:				
Bond funds	155,564	0	0	155,564
Conservative allocation funds	166,879	0	0	166,879
Subtotal deferred compensation	2,062,960	167,601	0	2,230,561
Interest in Community Foundations	0	0	1,235,988	1,235,988
Totals assets	\$ 2,062,960	\$ 167,601	\$ 1,235,988	\$ 3,466,549

Information regarding liabilities measured at fair value on a recurring basis as of December 31, 2017, is as follows:

2017	Fair Value Measurements Using			Total Assets (Liabilities) at Fair Value
	Level 1	Level 2	Level 3	
Liabilities:				
Interest rate swap agreements	\$ 0	\$ (1,115,850)	\$ 0	\$ (1,115,850)

Changes in Level 3 recurring measurements are as follows:

	2017	2016
Interest in Community Foundations – Beginning of the year	\$1,067,573	\$ 1,036,258
Net appreciation	168,415	31,315
Interest in Community Foundations – End of the year	\$ 1,235,988	\$ 1,067,573

# 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 (Liabilities) 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 allocation funds	164,513	0	0	164,513
Subtotal deferred compensation	1,821,846	188,752	0	2,010,598
Interest in Community Foundations	0	0	1,067,573	1,067,573
<b>Totals assets</b>	<b>\$ 1,821,846</b>	<b>\$ 188,752</b>	<b>\$ 1,067,573</b>	<b>\$ 3,078,171</b>

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 (Liabilities) at Fair Value
	Level 1	Level 2	Level 3	
Liabilities:				
Interest rate swap agreements	\$ 0	\$ (1,401,677)	\$ 0	\$ (1,401,677)

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.

# **Supplementary Information**

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

## Reserve Supplemental Schedule - Outagamie County Year Ended December 31, 2017

### Various Programs

1. Total units of service	<u>See below*</u>
2. Allowable expenses for rate-based service	<u>\$ 157,243</u>
3. Total revenue for rate-based service	<u>\$ 32,469</u>
4. Deficiency of revenue over expenses (line 3 less line 2)	<u>\$ (124,774)</u>
5. Total reserve from all prior periods (not including this period)	<u>\$ (1,269,387)</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	\$ 32,469	100%	\$ (124,774)	\$ 1,623	\$ (124,774)	\$ 0	\$ (1,269,387)	\$ (1,394,161)	\$ 3,247	\$ (1,394,161)	\$ 0	\$ 0

\*Work Services 6,214  
Vocational Support Services (VSS) 87



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

## Reserve Supplemental Schedule - Brown County Year Ended December 31, 2017

### Various Programs

1. Total units of service	<u>See below*</u>
2. Allowable expenses for rate-based service	<u>\$ 2,048</u>
3. Total revenue for rate-based service	<u>\$ 800</u>
4. Deficiency of revenue over expenses (line 3 less line 2)	<u>\$ (1,248)</u>
5. Total reserve from all prior periods (not including this period)	<u>\$ (1,031,796)</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	\$ 800	100%	\$ (1,248)	\$ 40	\$ (1,248)	\$ 0	\$ (1,031,796)	\$ (1,033,044)	\$ 80	\$ (1,033,044)	\$ 0	\$ 0

\*Work Services 168

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

## Schedule of Revenue and Expense by Funding Source and by Contract Year Ended December 31, 2017

	Winnebago County Human Services	Outagamie County Health & Human Services		Total Outagamie County Health & Human Services
	Early Intervention	Vocational Support	Work Services	
<b>Public support and revenue:</b>				
Human Services Department	\$ 711,520	\$ 2,950	\$ 29,519	\$ 32,469
Wisconsin Department of Vocational Rehabilitation	0	0	0	0
Contributions	150	0	0	0
Retail sales	0	0	75,442	75,442
Program fees	70,155	0	0	0
<b>Total public support and revenue</b>	<b>781,825</b>	<b>2,950</b>	<b>104,961</b>	<b>107,911</b>
<b>Expenses:</b>				
Salaries - Clients	0	2	53,126	53,128
Salaries - Staff	747,152	2,414	62,334	64,748
Fringe benefits	173,454	640	28,572	29,212
Office supplies	2,368	4	10	14
Administrative fees	446	23	0	23
Industrial supplies	440	0	0	0
Janitorial supplies	0	0	0	0
Telephone	7,290	29	173	202
Postage and shipping	743	2	11	13
Rent	0	0	0	0
Insurance	0	0	0	0
Taxes	0	0	0	0
Advertising	0	0	0	0
Outside printing	804	0	0	0
Travel	39,758	209	2,317	2,526
Conferences and meetings	3,631	0	0	0
Tools	1,664	1	0	1
Repairs and maintenance - Equipment	546	0	0	0
Referrals	0	0	0	0
Miscellaneous	0	0	0	0
Dues and subscriptions	121	0	0	0
Depreciation and amortization	3,131	22	509	531
<b>Total direct expenses</b>	<b>981,548</b>	<b>3,346</b>	<b>147,052</b>	<b>150,398</b>
Allocation of support services	49,592	187	6,658	6,845
<b>Total expenses</b>	<b>1,031,140</b>	<b>3,533</b>	<b>153,710</b>	<b>157,243</b>
<b>Change in net assets</b>	<b>\$ (249,315)</b>	<b>\$ (583)</b>	<b>\$ (48,749)</b>	<b>\$ (49,332)</b>

See Independent Auditor's Report.

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

## Schedule of Revenue and Expense by Funding Source and by Contract (Continued) Year Ended December 31, 2017

	Brown County Human Services Department	Western Wisconsin Cares	Marathon County Health Department	Barron County Restorative Justice
	Work Services	Work Services	Restorative Justice	Restorative Justice
Public support and revenue:				
Human Services Department	\$ 800	\$ 0	\$ 57,631	\$ 32,650
Wisconsin Department of Vocational Rehabilitation	0	0	0	0
Contributions	0	0	0	0
Retail sales	0	0	0	0
Program fees	0	17,415	3,280	0
<b>Total public support and revenue</b>	<b>800</b>	<b>17,415</b>	<b>60,911</b>	<b>32,650</b>
Expenses:				
Salaries - Clients	1,389	23,413	0	0
Salaries - Staff	475	10,342	42,332	28,785
Fringe benefits	110	2,403	11,045	7,468
Office supplies	0	2	489	253
Administrative fees	0	0	0	228
Industrial supplies	0	0	0	7
Janitorial supplies	0	0	0	0
Telephone	1	29	345	613
Postage and shipping	0	2	251	38
Rent	0	0		1,722
Insurance	0	0	0	7
Taxes	0	0	0	0
Advertising	0	0	0	0
Outside printing	0	0	0	168
Travel	18	385	1,869	698
Conferences and meetings	0	0	336	135
Tools	0	0	0	171
Repairs and maintenance - Equipment	0	0	0	0
Referrals	0	0	0	112
Miscellaneous	0	0	964	205
Dues and subscriptions	0	0	0	5
Depreciation and amortization	4	84	347	803
<b>Total direct expenses</b>	<b>1,997</b>	<b>36,660</b>	<b>57,978</b>	<b>41,418</b>
Allocation of support services	51	1,105	3,864	2,071
<b>Total expenses</b>	<b>2,048</b>	<b>37,765</b>	<b>61,842</b>	<b>43,489</b>
<b>Change in net assets</b>	<b>\$ (1,248)</b>	<b>\$ (20,350)</b>	<b>\$ (931)</b>	<b>\$ (10,839)</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, 2017

	Eau Claire County Restorative Justice	Community Care		Total Community Care
		Vocational Support	Work Services	
<b>Public support and revenue:</b>				
Human Services Department	\$ 77,748	\$ 0	\$ 0	\$ 0
Wisconsin Department of Vocational Rehabilitation	0	0	0	0
Contributions	8,843	0	0	0
Retail sales	0	0	0	0
Program fees	0	230,819	42,667	273,486
<b>Total public support and revenue</b>	<b>86,591</b>	<b>230,819</b>	<b>42,667</b>	<b>273,486</b>
<b>Expenses:</b>				
Salaries - Clients	0	167	85,867	86,034
Salaries - Staff	72,592	188,867	25,339	214,206
Fringe benefits	19,361	50,041	5,886	55,927
Office supplies	130	306	4	310
Administrative fees	40	1,818	0	1,818
Industrial supplies	0	0	0	0
Janitorial supplies	0	1	0	1
Telephone	40	2,297	70	2,367
Postage and shipping	24	158	4	162
Rent	0	0	0	0
Insurance	0	0	0	0
Taxes	0	0	0	0
Advertising	0	0	0	0
Outside printing	0	0	0	0
Travel	2,631	16,334	942	17,276
Conferences and meetings	0	0	0	0
Tools	0	107	0	107
Repairs and maintenance - Equipment	0	0	0	0
Referrals	0	0	0	0
Miscellaneous	8,755	1	0	1
Dues and subscriptions	0	0	0	0
Depreciation and amortization	200	1,690	207	1,897
<b>Total direct expenses</b>	<b>103,773</b>	<b>261,787</b>	<b>118,319</b>	<b>380,106</b>
Allocation of support services	5,493	14,641	0	14,641
<b>Total expenses</b>	<b>109,266</b>	<b>276,428</b>	<b>118,319</b>	<b>394,747</b>
<b>Change in net assets</b>	<b>\$ (22,675)</b>	<b>\$ (45,609)</b>	<b>\$ (75,652)</b>	<b>\$ (121,261)</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, 2017

	Lakeland Care District		Total Lakeland Care District	Diverse and Resilient, Inc. HIV Prevention Activities	Total
	Vocational Support	Work Services			
Public support and revenue:					
Human Services Department	\$ 0	\$ 0	\$ 0	\$ 0	\$ 913,980
Wisconsin Department of Vocational Rehabilitation	0	0	0	0	0
Contributions	0	0	0	0	8,993
Retail sales	0	0	0	0	75,442
Program fees	136,378	62,795	199,173	10,000	573,509
<b>Total public support and revenue</b>	<b>136,378</b>	<b>62,795</b>	<b>199,173</b>	<b>10,000</b>	<b>1,571,924</b>
Expenses:					
Salaries - Clients	98	110,089	110,187	0	274,152
Salaries - Staff	111,591	37,292	148,883	42,658	1,373,124
Fringe benefits	29,566	8,663	38,229	11,485	348,946
Office supplies	181	6	187	20	3,775
Administrative fees	1,074	0	1,074	42	3,680
Industrial supplies	0	0	0	66	513
Janitorial supplies	1	0	1	0	2
Telephone	1,357	103	1,460	385	12,744
Postage and shipping	94	6	100	0	1,334
Rent	0	0	0	0	1,722
Insurance	0	0	0	0	7
Taxes	0	0	0	0	0
Advertising	0	0	0	166	166
Outside printing	0	0	0	52	1,024
Travel	9,651	1,386	11,037	2,000	78,280
Conferences and meetings	0	0	0	263	4,365
Tools	63	0	63	10	2,017
Repairs and maintenance - Equipment	0	0	0	0	546
Referrals	0	0	0	0	112
Miscellaneous	1	0	1	566	10,492
Dues and subscriptions	0	0	0	24	150
Depreciation and amortization	999	305	1,304	1,850	10,160
<b>Total direct expenses</b>	<b>154,676</b>	<b>157,850</b>	<b>312,526</b>	<b>59,587</b>	<b>2,127,311</b>
Allocation of support services	8,651	3,983	12,634	634	97,004
<b>Total expenses</b>	<b>163,327</b>	<b>161,833</b>	<b>325,160</b>	<b>60,221</b>	<b>2,224,315</b>
<b>Change in net assets</b>	<b>\$ (26,949)</b>	<b>\$ (99,038)</b>	<b>\$ (125,987)</b>	<b>\$ (50,221)</b>	<b>\$ (652,391)</b>

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

## Schedule of Expenditures of Federal, State, and Local Awards Year Ended December 31, 2017

Grantor Agency/Pass-Through Agency Program Title	Federal CFDA Number	State ID Number	Federal Expenditures	State Expenditures	Local Expenditures
<u>Department of Housing and Urban Development</u>					
Passed through the City of Neenah and Appleton					
Community Development Block Grant	14.218		\$ 1,986	\$ 0	\$ 0
<u>Department of the Treasury - Internal Revenue Service</u>					
Volunteer Income Tax Assistance Matching Program	21.009		51,490	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		151,842	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		269	0	0
Foster Care - Title IV-E	93.658		483	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	149,014	410,664
Basic County Allocation		435.561	0	33,016	252
State of WI GPR		437-3413	0	30,190	0
Community Intervention Program		437-3410	0	14,401	62,934
<b>Total federal, state, and local awards</b>			<b>\$ 206,070</b>	<b>\$ 226,621</b>	<b>\$ 473,850</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, 2017. 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, 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, 2017, 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 19, 2018. 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 audit 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 a 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, 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.



Wipfli LLP

April 19, 2018  
Madison, Wisconsin

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

Schedule of Findings and Questioned Costs  
Year Ended December 31, 2017

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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: Material weakness identified?	No
Significant deficiency 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 <i>Department of Health Services Audit Guide</i> Department of Health Services	No
Auditee qualified as low-risk auditee?	Yes
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 19, 2018

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

Schedule of Findings and Questioned Costs  
Year Ended December 31, 2017

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## **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 findings or questioned costs.

## **Section IV      Prior Year Audit Results**

There were no prior-year findings or questioned costs.