

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

Menasha, Wisconsin

## **Consolidated Financial Statements and Supplementary Information**

Years Ended December 31, 2013 and 2012

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

## Consolidated Financial Statements and Supplementary Information

Years Ended December 31, 2013 and 2012

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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") as of December 31, 2013 and 2012, which comprise the consolidated statements of financial position 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, 2013 and 2012, 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

### *Report on 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 45 is presented for purposes of additional analysis as well as pages 46 and 47 which are presented as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Guidelines*, issued by the Wisconsin Department of Administration. 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. The 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 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

### *Report Issued in Accordance with Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2014, 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, 2014

Madison, Wisconsin

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

## Consolidated Statements of Financial Position

December 31, 2013 and 2012

<i>Assets</i>	2013	2012
Current assets:		
Cash and cash equivalents	\$ 8,484,097	\$ 9,152,237
Accounts receivable - Net	1,336,845	1,047,838
Inventories	12,146,466	10,427,600
Prepaid expenses and other	396,884	313,030
Total current assets	22,364,292	20,940,705
Assets limited as to use	937,129	665,532
Property and equipment - Net	54,940,359	53,729,303
Interest in Community Foundations	1,056,774	910,317
Other assets:		
Deferred compensation	1,604,672	1,204,075
Deferred financing costs - Net	612,906	655,508
Total other assets	2,217,578	1,859,583
<b>TOTAL ASSETS</b>	<b>\$ 81,516,132</b>	<b>\$ 78,105,440</b>

See accompanying notes to consolidated financial statements.

<i>Liabilities and Net Assets</i>	2013	2012
Current liabilities:		
Current maturities of long-term debt	\$ 2,232,641	\$ 2,330,124
Accounts payable	2,311,351	2,733,550
Accrued and other liabilities:		
Payroll	1,421,876	1,208,812
Other	1,155,783	1,109,416
Total current liabilities	7,121,651	7,381,902
Long-term liabilities:		
Long-term debt	28,031,163	28,147,840
Deferred compensation	1,604,672	1,204,075
Other - Fair value of interest rate swap agreements	2,151,931	3,636,002
Total long-term liabilities	31,787,766	32,987,917
Total liabilities	38,909,417	40,369,819
Net assets:		
Unrestricted	42,119,152	37,203,581
Temporarily restricted	290,286	283,211
Permanently restricted	197,277	248,829
Total net assets	42,606,715	37,735,621
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 81,516,132</b>	<b>\$ 78,105,440</b>

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

## Consolidated Statement of Activities

Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenue:				
Public support:				
Government fees and grants	\$ 3,285,556	\$ 0	\$ 0	\$ 3,285,556
Contributions	3,402,368	259,326	0	3,661,694
Total public support	6,687,924	259,326	0	6,947,250
Revenue:				
Retail sales	47,264,957	0	0	47,264,957
Post-retail sales	5,571,293	0	0	5,571,293
E-Commerce	2,150,260	0	0	2,150,260
Contractivity	277,266	0	0	277,266
Accounting and leased employee services	367,775	0	0	367,775
Program fees	1,436,776	0	0	1,436,776
Rental income	255,437	0	0	255,437
Miscellaneous	73,136	0	0	73,136
Total revenue	57,396,900	0	0	57,396,900
Net assets released from donor restrictions	278,232	(278,232)	0	0
Total public support and revenue	64,363,056	(18,906)	0	64,344,150
Expenses:				
Program services	51,713,330	0	0	51,713,330
Management and general	9,173,476	0	0	9,173,476
Fund-raising	179,698	0	0	179,698
Total expenses	61,066,504	0	0	61,066,504
Excess of revenue over expenses	3,296,552	(18,906)	0	3,277,646
Other nonoperating activities:				
Change in interest in Community Foundations	171,028	25,981	(51,552)	145,457
Loss on disposal of property and equipment	(46,571)	0	0	(46,571)
Investment income	10,491	0	0	10,491
Change in fair value of interest rate swaps	1,484,071	0	0	1,484,071
Total other nonoperating activities	1,619,019	25,981	(51,552)	1,593,448
Change in net assets	4,915,571	7,075	(51,552)	4,871,094
Net assets at beginning	37,203,581	283,211	248,829	37,735,621
Net assets at end	\$ 42,119,152	\$ 290,286	\$ 197,277	\$ 42,606,715

See accompanying notes to consolidated financial statements.

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

## Consolidated Statement of Activities

Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenue:				
Public support:				
Government fees and grants	\$ 3,101,116	\$ 20,000	\$ 0	\$ 3,121,116
Contributions	1,636,578	258,232	177,197	2,072,007
Total public support	4,737,694	278,232	177,197	5,193,123
Revenue:				
Retail sales	45,800,914	0	0	45,800,914
Post-retail sales	6,114,581	0	0	6,114,581
E-Commerce	1,578,812	0	0	1,578,812
Contractivity	349,126	0	0	349,126
Accounting and leased employee services	1,566,040	0	0	1,566,040
Program fees	1,260,134	0	0	1,260,134
Rental income	272,502	0	0	272,502
Miscellaneous	103,304	0	0	103,304
Total revenue	57,045,413	0	0	57,045,413
Net assets released from donor restrictions	254,263	(254,263)	0	0
Total public support and revenue	62,037,370	23,969	177,197	62,238,536
Expenses:				
Program services	48,941,808	0	0	48,941,808
Management and general	8,713,696	0	0	8,713,696
Fund-raising	204,441	0	0	204,441
Total expenses	57,859,945	0	0	57,859,945
Excess of revenue over expenses	4,177,425	23,969	177,197	4,378,591
Other nonoperating activities:				
Change in interest in Community Foundations	11,908	4,594	0	16,502
Loss on disposal of property and equipment	(264,703)	0	0	(264,703)
Investment income	9,877	0	0	9,877
Change in fair value of interest rate swap	(241,541)	0	0	(241,541)
Total other nonoperating activities	(484,459)	4,594	0	(479,865)
Change in net assets	3,692,966	28,563	177,197	3,898,726
Net assets at beginning	33,510,615	254,648	71,632	33,836,895
Net assets at end	\$ 37,203,581	\$ 283,211	\$ 248,829	\$ 37,735,621

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, 2013 and 2012

	2013	2012
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Change in net assets	\$ 4,871,094	\$ 3,898,726
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Provision for depreciation and amortization	2,925,381	2,649,050
Change in fair value of interest rate swap agreements	(1,484,071)	241,541
Loss on sale of property and equipment	46,571	264,703
Bad debt expense	69,543	26,598
Change in interest in Community Foundations	(145,457)	(16,502)
Changes in operating assets and liabilities:		
Accounts receivable - Net	(358,550)	78,367
Inventories	(1,718,866)	(1,036,941)
Prepaid expenses and other	(83,854)	32,956
Accounts payable	(422,199)	1,120,015
Accrued and other liabilities	259,431	237,129
Total adjustments	(912,071)	3,596,916
Net cash provided by operating activities	3,959,023	7,495,642
Cash flows from investing activities:		
Capital expenditures for property and equipment	(2,163,593)	(5,499,993)
Increase in assets limited as to use	(271,597)	(175,737)
Proceeds from disposal of property and equipment	2,758	23,389
Contribution to Community Foundations	(1,000)	(76,544)
Net cash used in investing activities	(2,433,432)	(5,728,885)

See accompanying notes to consolidated financial statements.

	2013	2012
Cash flows from financing activities:		
Principal payments on long-term debt	(2,189,796)	(1,397,694)
Debt issuance costs	(3,935)	(125,155)
Net cash used in financing activities	(2,193,731)	(1,522,849)
Net (decrease) increase in cash and cash equivalents	(668,140)	243,908
Cash and cash equivalents at beginning	9,152,237	8,908,329
Cash and cash equivalents at end	\$ 8,484,097	\$ 9,152,237

**Supplemental cash flow information:**

Cash paid for interest	\$ 1,165,149	\$ 1,227,137
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**Noncash financing and investing activities:**

Change in assets held on behalf of employees in the deferred compensation plan	400,597	254,760
Property and equipment acquired that was financed with debt	1,975,636	2,891,338

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

## Consolidated Statement of Functional Expenses

Year Ended December 31, 2013

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

See accompany notes to consolidated financial statements.

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

## Consolidated Statement of Functional Expenses

Year Ended December 31, 2012

	Retail Services	Other Program Services	Fund-Raising	Management and General	Total
Expenses:					
Salaries - Clients	\$ 605,322	\$ 484,481	\$ 0	\$ 19,191	\$ 1,108,994
Salaries - Staff	15,102,358	5,893,163	102,841	4,731,423	25,829,785
Fringe benefits	4,960,314	1,763,930	32,300	1,327,088	8,083,632
Cost of sales	5,576,863	376,412	0	0	5,953,275
Administrative fees	1,384,708	161,556	142	550,934	2,097,340
Bad debts	0	26,598	0	0	26,598
Industrial supplies	794,268	107,632	493	46,796	949,189
Janitorial supplies	144,907	19,199	0	21,035	185,141
Telephone	143,418	52,123	132	70,564	266,237
Postage and shipping	1,411,449	17,909	5,106	17,572	1,452,036
Rent	519,921	6,940	0	0	526,861
Insurance	194,320	15,665	0	20,769	230,754
Interest	1,356,811	0	0	90,481	1,447,292
Property and other taxes	121,140	4,014	50	573	125,777
Advertising	775,119	25,764	0	107,073	907,956
Outside printing	116,278	8,812	1,822	45,585	172,497
Travel	693,472	303,145	65	212,742	1,209,424
Equipment rent	306,252	1,805	0	1,274	309,331
Trash removal	395,101	2,707	0	457	398,265
Conferences and meetings	3,078	10,967	0	27,662	41,707
Utilities	986,036	32,420	0	112,345	1,130,801
Tools	319,605	40,549	0	92,045	452,199
Repairs and maintenance - Land and building	368,648	10,893	0	17,966	397,507
Repairs and maintenance - Equipment	369,980	11,286	0	109,105	490,371
Referrals	0	593,525	0	0	593,525
Miscellaneous	31,798	268,125	0	237,990	537,913
In-kind donations	651	6,123	59,096	0	65,870
Dues and subscriptions	9,125	19,509	148	191,836	220,618
Depreciation and amortization	1,858,681	126,933	2,246	661,190	2,649,050
<b>Total expenses</b>	<b>\$ 38,549,623</b>	<b>\$ 10,392,185</b>	<b>\$ 204,441</b>	<b>\$ 8,713,696</b>	<b>\$ 57,859,945</b>

See accompanying notes to consolidated 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**

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

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

#### **Use of Estimates in Preparation of Financial Statements**

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

#### **Cash and Cash Equivalents**

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

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

## Notes to Consolidated Financial Statements

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

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

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

#### **Assets Limited as to Use**

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

#### **Inventories**

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

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

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

It is not practical to determine the fair value of goods donated during the course of the year. At December 31, 2013 and 2012, approximately 92% and 86%, 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 10 to 40 years for land improvements, buildings, and fixed equipment.

#### **Deferred Financing Costs**

Unamortized bond issuance costs related to issuance of long-term debt are amortized over the life of the related debt using the straight-line method. Net deferred financing costs as of December 31, 2013 and 2012, were \$612,906 and \$655,508, respectively, with accumulated amortization of \$213,432 and \$166,895, respectively. Amortization expense was \$46,537 and \$37,500 during 2013 and 2012, respectively.

#### **Contributions and Unconditional Promises to Give**

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

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

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



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

## Notes to Consolidated Financial Statements

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

#### **Deferred Compensation**

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

#### **Interest Rate Swap Agreements**

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

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

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

#### **Uncertain Tax Positions**

The Organization is required to assess whether it is more likely than not that a tax position will be sustained upon examination on the technical merits of the position assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the financial statements. The Organization has determined there are no amounts to record as assets or liabilities related to uncertain tax positions. Federal tax returns, including IRS forms 990 and 990-T, for the years ended 2010, 2011, and 2012, remain subject to examination by the Internal Revenue Service. Tax returns have not yet been filed for the year ended 2013.

# 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)

#### 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.

#### Reclassifications

Certain 2012 expenses have been reclassified to conform to 2013 presentation. There was no effect on net assets or the change in net assets.

#### Subsequent Events

In preparing the consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 28, 2014, 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:

	2013	2012
Program and contracts receivable	\$ 1,419,464	\$ 1,130,457
Less - Allowance for doubtful accounts	82,619	82,619
<u>Accounts receivable - Net</u>	<u>\$ 1,336,845</u>	<u>\$ 1,047,838</u>

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

## Notes to Consolidated Financial Statements

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### Note 3      **Assets Limited as to Use**

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

	2013	2012
Health and dental insurance cash reserve fund for future claims	\$ 574,354	\$ 369,533
Payment partner funds	360,765	293,989
Other	2,010	2,010
<u>Total assets limited as to use</u>	<u>\$ 937,129</u>	<u>\$ 665,532</u>

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

As of December 31, 2013 and 2012, funds with a fair value totaling \$1,056,774 and \$910,317, respectively, are being held for the use and future benefit of Goodwill Industries at the following foundations: Community Foundation for the Fox Valley Region, Greater Green Bay Community Foundation, Inc., South Wood County Community Foundation, Community Foundation of North Central Wisconsin, La Crosse Community Foundation, Oshkosh Area Community Foundation, Stevens Point Area Foundation, Eau Claire Area Foundation, Shawano Area Community Foundation, Inc., and Waupaca Area Community Foundation (collectively referred to as the "Community Foundations").

In a prior year, Goodwill Industries transferred funds to each community foundation; accordingly, the value of these funds is included in the accompanying consolidated statements of financial position. In addition, donor restricted endowments were established for the benefit of Goodwill Industries. All changes in the value of the funds transferred by Goodwill Industries are considered changes in unrestricted net assets. All changes in the value of the donor restricted endowment funds are recorded as temporarily restricted in accordance with the standards applicable to endowments as described in Note 6. The accompanying consolidated financial statements include an increase in interest in Community Foundations of \$145,457 and \$16,502 in 2013 and 2012, respectively.

# 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)

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:

	2013	2012
Land and land improvements	\$15,836,392	\$14,575,975
Buildings and improvements	43,985,606	40,820,282
Furniture and equipment	13,649,734	12,037,893
Construction in progress	2,569,778	4,833,886
Total property and equipment	76,041,510	72,268,036
Less - Accumulated depreciation	21,101,151	18,538,733
<u>Property and equipment, net</u>	<u>\$54,940,359</u>	<u>\$53,729,303</u>

Construction in progress as of December 31, 2013 and 2012, consists of costs to purchase and construct store locations throughout Wisconsin.

During 2013, the Organization entered into a construction contract for the completion of a store in Neenah, Wisconsin for \$1,737,757 including approved change orders. As of December 31, 2013, \$1,261,708 has been paid under the contract with \$476,049 remaining as a commitment under the contract.

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

## Notes to Consolidated Financial Statements

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### **Note 5**      **Property and Equipment – Net (Continued)**

During 2013, the Organization entered into a construction contract for the completion of a baseball field in Manitowoc, Wisconsin for \$262,242 including approved change orders. As of December 31, 2013, \$156,082 has been paid under the contract with \$106,160 remaining as a commitment under the contract.

### **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.

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

## Notes to Consolidated Financial Statements

### Note 6 Endowment (Continued)

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:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowments at January 1, 2012	\$ 0	\$ 0	\$ 71,632	\$ 71,632
Net appreciation	0	4,594	0	4,594
Contributions	0	0	177,197	177,197
Endowments at December 31, 2012	0	4,594	248,829	253,423
Net appreciation (depreciation)	0	25,981	(51,552)	(25,571)
Contributions	0	0	0	0
Endowments at December 31, 2013	\$ 0	\$ 30,575	\$ 197,277	\$ 227,852

### Note 7 Line of Credit

The Organization has a line of credit of \$1,000,000 with Wells Fargo Bank, with interest at the prime rate which was 3.25% at December 31, 2013. The line of credit expires October 1, 2014. The line of credit is collateralized by equipment and inventories. No amounts were outstanding on the line of credit at December 31, 2013.

# 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:

	2013	2012
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.	\$ 2,956,766	\$ 3,377,564
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.	8,150,000	8,620,000
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, 2013, was 1.75%), secured by land and buildings, matures January 2021.	140,502	188,037
Town of Grand Chute, Wisconsin, Industrial Revenue Bonds, Series 1996, dated October 1, 1996, payable in monthly installments of \$12,904 including interest at 4.85%, secured by land and buildings, matures November 2016.	260,677	398,985
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%.	148,107	202,547

# 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:

	2013	2012
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.	7,050,000	7,520,000
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.	10,100,877	10,120,831
Wisconsin Health and Education Facilities Authority Revenue Bonds, Series 2012, dated October 1, 2012, at a variable interest rate (effective rate of 1.71% with swap agreement—Note 10) secured by land and buildings, maturing in varying amounts through December 2032.	1,456,875	50,000
Totals	30,263,804	30,477,964
Less - Current maturities	2,232,641	2,330,124
<u>Long-term portion</u>	<u>\$28,031,163</u>	<u>\$28,147,840</u>

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 \$15,416,233 and \$16,362,027 at December 31, 2013 and 2012, 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, 2013, including current maturities, are summarized as follows:

2014	\$ 2,232,641
2015	2,267,114
2016	2,189,344
2017	2,184,865
2018	2,243,753
Thereafter	19,146,087
Total	<u>\$30,263,804</u>

### Note 9 Temporarily and Permanently Restricted Net Assets

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

	2013	2012
Contributions restricted for future periods	\$ 259,711	\$ 278,252
Other	30,575	4,959
Total temporarily restricted net assets	<u>\$ 290,286</u>	<u>\$ 283,211</u>

Permanently restricted net assets were \$197,277 and \$248,829 as of December 31, 2013 and 2012, respectively, and represent donor restricted contributions to be placed into an endowment and held for perpetuity. See note 6 for more information.

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

## Notes to Consolidated Financial Statements

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### 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, 2013 and 2012. 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

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

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

The fair value of the swap agreements is recorded on the accompanying consolidated statement of financial position as a liability and totaled \$2,151,931 and \$3,636,002 as of December 31, 2013 and 2012, respectively. The interest rate swaps reflect a liability balance due to decreases in market rates since inception. For the years ended December 31, 2013 and 2012, \$1,484,071 and (\$241,541), 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 \$738,000 and \$527,000 for the years ended December 31, 2013 and 2012, respectively.

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

## Notes to Consolidated Financial Statements

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### Note 11 Leases (Continued)

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

2014	\$ 250,696
2015	173,088
2016	98,200
2017	83,661
2018	70,271
Thereafter	64,697
<hr/>	
Total	\$ 740,613

### 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 \$868,893 and \$840,163 for the years ended December 31, 2013 and 2012, respectively.

The Organization also contributes to a deferred compensation plan available for officers of the Organization. Deferred compensation expense totaled \$93,927 and \$76,823 for the years ended December 31, 2013 and 2012, 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 \$4.3 million and \$4 million for the years ended December 31, 2013 and 2012, respectively.

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

## Notes to Consolidated Financial Statements

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### **Note 13 Self-Funded Health Insurance (Continued)**

The Organization's exposure is limited with a stop-loss insurance policy for claims in excess of \$75,000 per insured and 125% of expected claims in the aggregate (\$3.9 million aggregate claims in 2013). As of December 31, 2013 and 2012, the obligation for self-funded insurance claims incurred but not reported was approximately \$436,000 and \$490,000, respectively, and is recorded in other liabilities on the consolidated statements of financial position.

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

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

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

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

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

### **Note 15 Contributed Services**

No amounts have been reflected in the consolidated financial statements for donated services since no objective basis is available to measure the value of such services. However, a substantial number of volunteers have donated significant amounts of their time in the Organization's program services and in its fund-raising campaigns. The Organization has estimated 160,000 and 175,000 volunteer hours were contributed in 2013 and 2012, respectively.

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

## Notes to Consolidated Financial Statements

### Note 16 Fair Value Measurements

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

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

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

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

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

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

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

## Notes to Consolidated Financial Statements

### Note 16 Fair Value Measurements (Continued)

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

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

Changes in Level 3 recurring measurements are as follows:

	2013	2012
Interest in Community Foundations – Beginning of the year	\$ 910,317	\$ 817,271
Contributions	1,000	76,544
Net appreciation	145,457	16,502
Interest in Community Foundations – End of the year	\$ 1,056,774	\$ 910,317

Information regarding assets measured at fair value on a recurring basis as of December 31, 2012, is as follows:

2012	Fair Value Measurements Using			Total Assets (Liabilities) at Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Deferred compensation:				
Cash and equivalents	\$ 0	\$ 130,870	\$ 0	\$ 130,870
Equity mutual funds:				
Growth funds	540,058	0	0	540,058
Large blend funds	118,115	0	0	118,115
Value funds	119,380	0	0	119,380
Fixed income:				
Bond funds	177,176	0	0	177,176
Conservative allocation funds	118,476	0	0	118,476
Interest in Community Foundations	0	0	910,317	910,317
Totals assets	\$ 1,073,205	\$ 130,870	\$ 910,317	\$ 2,114,392

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

## Notes to Consolidated Financial Statements

### Note 16 Fair Value Measurements (Continued)

Information regarding liabilities measured at fair value on a recurring basis as of December 31, 2012, is as follows:

2012	Fair Value Measurements Using			Total Assets (Liabilities) at Fair Value
	Level 1	Level 2	Level 3	
Liabilities:				
Interest rate swap agreements	\$ 0	\$ (3,636,002)	\$ 0	\$ (3,636,002)

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

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



## Supplementary Information

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

## Reserve Supplemental Schedule - Winnebago County

Year Ended December 31, 2013

### Various Programs

1. Total units of service	See below*
2. Allowable expenses for rate-based service	\$ 140,745
3. Total revenue for rate-based service	\$ 53,681
4. Deficiency of revenue over expenses (line 3 less line 2)	\$ (87,064)
5. Total reserve from all prior periods (not including this period)	\$ (735,911)
6. Calculation of reserve and amounts due to purchaser:	

Purchaser (6a)	Revenue From Purchaser (6b)	Purchaser's Share of Total Revenue (6c)	First Test				Second Test					Total Amount Due to Purchaser (6m)	
			Purchaser's Share of Deficiency of Revenue (6d)	Cap on Reserve for First Test (6e)	Amount to Add to Reserve for This Period (6f)	Amount Due to Purchaser From First Test (6g)	Purchaser's Share of Reserve From Prior Periods (6h)	Purchaser's Share of Reserve From All Periods (6i)	Cap on Reserve for Second Test (6j)	Amount of Reserve (6k)	Amount Due to Purchaser From Second Test (6l)		
Winnebago County													
Human Services	\$ 53,681	100%	\$ (87,064)	\$ 2,684	\$ (87,064)	\$ 0	\$ (735,911)	\$ (822,975)	\$ 5,368	\$ (822,975)	\$ 0	\$ 0	\$ 0

\*Beyond the Boundaries of Autism (BBA) 1,759

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

## Reserve Supplemental Schedule - Outagamie County

Year Ended December 31, 2013

### Various Programs

1. Total units of service	<u>See below*</u>
2. Allowable expenses for rate-based service	<u>\$ 165,023</u>
3. Total revenue for rate-based service	<u>\$ 40,588</u>
4. Deficiency of revenue over expenses (line 3 less line 2)	<u>\$ (124,435)</u>
5. Total reserve from all prior periods (not including this period)	<u>\$ (732,267)</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	\$ 40,588	100%	\$ (124,435)	\$ 2,029	\$ (124,435)	\$ 0	\$ (732,267)	\$ (856,702)	\$ 4,059	\$ (856,702)	\$ 0	\$ 0

\*Work Services 8,398  
Vocational Support Services (VSS) 69

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

## Reserve Supplemental Schedule - Calumet County

Year Ended December 31, 2013

### Various Programs

1. Total units of service	<u>See below*</u>
2. Allowable expenses for rate-based service	<u>\$ 111,366</u>
3. Total revenue for rate-based service	<u>\$ 59,802</u>
4. Deficiency of revenue over expenses (line 3 less line 2)	<u>\$ (51,564)</u>
5. Total reserve from all prior periods (not including this period)	<u>\$ (200,336)</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)	

Calumet County  
Department of Human  
Services

	\$ 59,802	100%	\$ (51,564)	\$ 2,990	\$ (51,564)	\$ 0	\$ (200,336)	\$ (251,900)	\$ 5,980	\$ (251,900)	\$ 0	\$ 0
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\* BBA 2,508  
VSS 25.5

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

## Reserve Supplemental Schedule - Brown County

Year Ended December 31, 2013

### Various Programs

1. Total units of service	<u>See below*</u>
2. Allowable expenses for rate-based service	<u>\$ 307,862</u>
3. Total revenue for rate-based service	<u>\$ 163,841</u>
4. Deficiency of revenue over expenses (line 3 less line 2)	<u>\$ (144,021)</u>
5. Total reserve from all prior periods (not including this period)	<u>\$ (685,924)</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 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	\$ 163,841	100%	\$ (144,021)	\$ 8,192	\$ (144,021)	\$ 0	\$ (685,924)	\$ (829,945)	\$ 16,384	\$ (829,945)	\$ 0	\$ 0

\*Work Services 19,698  
BBA 3,044

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

## Reserve Supplemental Schedule - Waupaca County

Year Ended December 31, 2013

### Various Programs

1. Total units of service	<u>See below*</u>
2. Allowable expenses for rate-based service	<u>\$ 38,294</u>
3. Total revenue for rate-based service	<u>\$ 24,481</u>
4. Deficiency of revenue over expenses (line 3 less line 2)	<u>\$ (13,813)</u>
5. Total reserve from all prior periods (not including this period)	<u>\$ (134,842)</u>
6. Calculation of reserve and amounts due to purchaser:	

Purchaser (6a)	Revenue From Purchaser (6b)	Purchaser's Share of Total Revenue (6c)	First Test				Second Test				Total Amount Due to Purchaser (6m)	
			Purchaser's Share of Deficiency of Revenue (6d)	Cap on Reserve for First Test (6e)	Amount to Add to Reserve for This Period (6f)	Amount Due to Purchaser From First Test (6g)	Purchaser's Share of Reserve From Prior Periods (6h)	Purchaser's Share of Reserve From All Periods (6i)	Cap on Reserve for Second Test (6j)	Amount of Reserve (6k)		Amount Due to Purchaser From Second Test (6l)
Waupaca County Health and Human Services	\$ 24,481	100%	\$ (13,813)	\$ 1,224	\$ (13,813)	\$ 0	\$ (134,842)	\$ (148,655)	\$ 2,448	\$ (148,655)	\$ 0	\$ 0

\*BBA 1,000

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

## Reserve Supplemental Schedule - Marathon County

Year Ended December 31, 2013

1. Total units of service	<u>See below*</u>
2. Allowable expenses for rate-based service	<u>\$ 224,521</u>
3. Total revenue for rate-based service	<u>\$ 41,343</u>
4. Deficiency of revenue over expenses (line 3 less line 2)	<u>\$ (183,178)</u>
5. Total reserve from all prior periods (not including this period)	<u>\$ (526,934)</u>
6. Calculation of reserve and amounts due to purchaser:	

Purchaser (6a)	Revenue From Purchaser (6b)	Purchaser's Share of Total Revenue (6c)	First Test				Second Test					Total Amount Due to Purchaser (6m)
			Purchaser's Share of Deficiency of Revenue (6d)	Cap on Reserve for First Test (6e)	Amount to Add to Reserve for This Period (6f)	Amount Due to Purchaser From First Test (6g)	Purchaser's Share of Reserve From Prior Periods (6h)	Purchaser's Share of Reserve From All Periods (6i)	Cap on Reserve for Second Test (6j)	Amount of Reserve (6k)	Amount Due to Purchaser From Second Test (6l)	
Marathon County Health and Human Services	\$ 41,343	100%	\$ (183,178)	\$ 2,067	\$ (183,178)	\$ 0	\$ (526,934)	\$ (710,112)	\$ 4,134	\$ (710,112)	\$ 0	\$ 0

\*BBA 1,475

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

## Reserve Supplemental Schedule - Adams County

Year Ended December 31, 2013

1. Total units of service	<u>See below*</u>
2. Allowable expenses for rate-based service	<u>\$ 60,213</u>
3. Total revenue for rate-based service	<u>\$ 20,803</u>
4. Deficiency of revenue over expenses (line 3 less line 2)	<u>\$ (39,410)</u>
5. Total reserve from all prior periods (not including this period)	<u>\$ (223)</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)	
Adams County Health and Human Services	\$ 20,803	100%	\$ (39,410)	\$ 1,040	\$ (39,410)	\$ 0	\$ (223)	\$ (39,633)	\$ 2,080	\$ (39,633)	\$ 0	\$ 0

\*BBA

924



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

## Reserve Supplemental Schedule - LaCrosse County

Year Ended December 31, 2013

1. Total units of service	<u>See below*</u>
2. Allowable expenses for rate-based service	<u>\$ 122,077</u>
3. Total revenue for rate-based service	<u>\$ 88,259</u>
4. Deficiency of revenue over expenses (line 3 less line 2)	<u>\$ (33,818)</u>
5. Total reserve from all prior periods (not including this period)	<u>\$ (119,797)</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					
			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)	Total Amount Due to Purchaser (6m)
LaCrosse County Health and Human Services	\$ 88,259	100%	\$ (33,818)	\$ 4,413	\$ (33,818)	\$ 0	\$ (119,797)	\$ (153,615)	\$ 8,826	\$ (153,615)	\$ 0	\$ 0

\*BBA 3,282

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

## Reserve Supplemental Schedule - Portage County

Year Ended December 31, 2013

1. Total units of service	<u>See below*</u>
2. Allowable expenses for rate-based service	<u>\$ 259,635</u>
3. Total revenue for rate-based service	<u>\$ 84,865</u>
4. Deficiency of revenue over expenses (line 3 less line 2)	<u>\$ (174,770)</u>
5. Total reserve from all prior periods (not including this period)	<u>\$ (348,202)</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					
			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)	Total Amount Due to Purchaser (6m)
Portage County Health and Human Services	\$ 84,865	100%	\$ (174,770)	\$ 4,243	\$ (174,770)	\$ 0	\$ (348,202)	\$ (522,972)	\$ 8,487	\$ (522,972)	\$ 0	\$ 0

\*BBA 3,320

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

## Reserve Supplemental Schedule - Fond du Lac County

Year Ended December 31, 2013

1. Total units of service	<u>See below*</u>
2. Allowable expenses for rate-based service	<u>\$ 170,163</u>
3. Total revenue for rate-based service	<u>\$ 40,728</u>
4. Deficiency of revenue over expenses (line 3 less line 2)	<u>\$ (129,435)</u>
5. Total reserve from all prior periods (not including this period)	<u>\$ (32,891)</u>
6. Calculation of reserve and amounts due to purchaser:	

Purchaser (6a)	Revenue From Purchaser (6b)	Purchaser's Share of Total Revenue (6c)	First Test				Second Test					Total Amount Due to Purchaser (6m)
			Purchaser's Share of Deficiency of Revenue (6d)	Cap on Reserve for First Test (6e)	Amount to Add to Reserve for This Period (6f)	Amount Due to Purchaser From First Test (6g)	Purchaser's Share of Reserve From Prior Periods (6h)	Purchaser's Share of Reserve From All Periods (6i)	Cap on Reserve for Second Test (6j)	Amount of Reserve (6k)	Amount Due to Purchaser From Second Test (6l)	
Fond du Lac County Health and Human Services	\$ 40,728	100%	\$ (129,435)	\$ 2,036	\$ (129,435)	\$ 0	\$ (32,891)	\$ (162,326)	\$ 4,073	\$ (162,326)	\$ 0	\$ 0

\*BBA 1,832

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

## Reserve Supplemental Schedule - Lutheran Social Services

Year Ended December 31, 2013

1. Total units of service	<u>See below*</u>
2. Allowable expenses for rate-based service	<u>\$ 317,375</u>
3. Total revenue for rate-based service	<u>\$ 134,700</u>
4. Deficiency of revenue over expenses (line 3 less line 2)	<u>\$ (182,675)</u>
5. Total reserve from all prior periods (not including this period)	<u>\$ (149,898)</u>

6. Calculation of reserve and amounts due to purchaser:

Purchaser (6a)	Revenue From Purchaser (6b)	Purchaser's Share of Total Revenue (6c)	First Test				Second Test					Total Amount Due to Purchaser (6m)
			Purchaser's Share of Deficiency of Revenue (6d)	Cap on Reserve for First Test (6e)	Amount to Add to Reserve for This Period (6f)	Amount Due to Purchaser From First Test (6g)	Purchaser's Share of Reserve From Prior Periods (6h)	Purchaser's Share of Reserve From All Periods (6i)	Cap on Reserve for Second Test (6j)	Amount of Reserve (6k)	Amount Due to Purchaser From Second Test (6l)	
Lutheran Social Services	\$ 134,700	100%	\$ (182,675)	\$ 6,735	\$ (182,675)	\$ 0	\$ (149,898)	\$ (332,573)	\$ 13,470	\$ (332,573)	\$ 0	\$ 0

\*BBA 5,346

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

## Schedule of Revenue and Expense by Funding Source and by Contract

Year Ended December 31, 2013

	Winnebago County Human Services			Total Winnebago County Human Services	Outagamie County Health & Human Services		Total Outagamie County Health & Human Services
	Early Intervention	Beyond the Boundaries of Autism	Vocational Support		Work Services		
Public support and revenue:							
Human Services Department	\$ 671,925	\$ 53,681	\$ 725,606	\$ 2,354	\$ 38,234	\$ 40,588	
Contributions	442	0	442	0	0	0	
Retail sales	0	0	0	0	101,982	101,982	
Program fees	85,607	54,760	140,367	0	0	0	
<b>Total public support and revenue</b>	<b>757,974</b>	<b>108,441</b>	<b>866,415</b>	<b>2,354</b>	<b>140,216</b>	<b>142,570</b>	
Expenses:							
Salaries - Clients	0	0	0	2	68,616	68,618	
Salaries - Staff	636,559	90,740	727,299	1,805	50,215	52,020	
Fringe benefits	211,560	29,962	241,522	599	33,293	33,892	
Office supplies	2,610	522	3,132	24	54	78	
Administrative fees	7,618	1,502	9,120	17	0	17	
Bad debts	0	6,260	6,260	0	0	0	
Industrial supplies	1,153	0	1,153	0	0	0	
Janitorial supplies	0	0	0	0	0	0	
Telephone	5,527	1,275	6,802	14	248	262	
Postage and shipping	1,044	45	1,089	2	270	272	
Rent		0	0	0	0	0	
Taxes	0	0	0	0	0	0	
Advertising	0	0	0	0	0	0	
Outside printing	679	0	679	0	0	0	
Travel	44,996	4,674	49,670	150	2,459	2,609	
Equipment rent	140	0	140	0	0	0	
Conferences and meetings	3,011	90	3,101	0	77	77	
Tools	769	0	769	0	0	0	
Repairs and maintenance - Equipment	1,188	0	1,188	0	0	0	
Referrals	0	0	0	0	0	0	
Miscellaneous	0	73	73	0	0	0	
In-kind donations	0	0	0	0	0	0	
Dues and subscriptions	398	0	398	0	0	0	
Depreciation and amortization	13,048	210	13,258	14	74	88	
<b>Total direct expenses</b>	<b>930,300</b>	<b>135,353</b>	<b>1,065,653</b>	<b>2,627</b>	<b>155,306</b>	<b>157,933</b>	
Allocation of support services	37,692	5,392	43,084	117	6,973	7,090	
<b>Total expenses</b>	<b>967,992</b>	<b>140,745</b>	<b>1,108,737</b>	<b>2,744</b>	<b>162,279</b>	<b>165,023</b>	
<b>Change in net assets</b>	<b>\$ (210,018)</b>	<b>\$ (32,304)</b>	<b>\$ (242,322)</b>	<b>\$ (390)</b>	<b>\$ (22,063)</b>	<b>\$ (22,453)</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, 2013

	Calumet County		Total	Brown County Human		Total
	Department of Human Services		Calumet	Services Department		Brown County
	Vocational Support	Beyond the Boundaries of Autism	Department of Human Services	Work Services	Beyond the Boundaries of Autism	Human Services Department
Public support and revenue:						
Human Services Department	\$ 1,079	\$ 58,723	\$ 59,802	\$ 93,540	\$ 70,301	\$ 163,841
Contributions	0	0	0	0	0	0
Retail sales	0	0	0	0	0	0
Program fees	0	26,114	26,114	0	3,511	3,511
<b>Total public support and revenue</b>	<b>1,079</b>	<b>84,837</b>	<b>85,916</b>	<b>93,540</b>	<b>73,812</b>	<b>167,352</b>
Expenses:						
Salaries - Clients	1	0	1	155,186	0	155,186
Salaries - Staff	827	70,989	71,816	33,499	61,763	95,262
Fringe benefits	274	23,440	23,714	16,609	20,394	37,003
Office supplies	11	408	419	36	355	391
Administrative fees	8	1,175	1,183	0	1,022	1,022
Bad debts	0	4,898	4,898	0	4,261	4,261
Industrial supplies	0	0	0	0	0	0
Janitorial supplies	0	0	0	0	0	0
Telephone	6	997	1,003	165	868	1,033
Postage and shipping	1	35	36	180	31	211
Rent	0	0	0	0	0	0
Taxes	0	0	0	0	0	0
Advertising	0	0	0	0	0	0
Outside printing	0	0	0	0	0	0
Travel	69	3,656	3,725	1,640	3,177	4,817
Equipment rent	0	0	0	0	0	0
Conferences and meetings	0	70	70	51	61	112
Tools	0	0	0	0	0	0
Repairs and maintenance - Equipment	0	0	0	0	0	0
Referrals	0	0	0	0	0	0
Miscellaneous	0	57	57	0	50	50
In-kind donations	0	0	0	0	0	0
Dues and subscriptions	0	0	0	0	0	0
Depreciation and amortization	6	165	171	50	143	193
<b>Total direct expenses</b>	<b>1,203</b>	<b>105,890</b>	<b>107,093</b>	<b>207,416</b>	<b>92,125</b>	<b>299,541</b>
Allocation of support services	54	4,219	4,273	4,651	3,670	8,321
<b>Total expenses</b>	<b>1,257</b>	<b>110,109</b>	<b>111,366</b>	<b>212,067</b>	<b>95,795</b>	<b>307,862</b>
<b>Change in net assets</b>	<b>\$ (178)</b>	<b>\$ (25,272)</b>	<b>\$ (25,450)</b>	<b>\$ (118,527)</b>	<b>\$ (21,983)</b>	<b>\$ (140,510)</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, 2013

	Waupaca Co. HHS	Community Care			Marathon County Health Department	
	Beyond the Boundaries of Autism	Vocational Support	Work Services	Total Community Care	Beyond the Boundaries of Autism	Restorative Justice
Public support and revenue:						
Human Services Department	\$ 24,481	\$ 0	\$ 0	\$ 0	\$ 41,343	\$ 57,710
Contributions	0	0	0	0	0	1,948
Retail sales	0	0	0	0	0	0
Program fees	5,024	262,318	59,383	321,701	131,647	160
<b>Total public support and revenue</b>	<b>29,505</b>	<b>262,318</b>	<b>59,383</b>	<b>321,701</b>	<b>172,990</b>	<b>59,818</b>
Expenses:						
Salaries - Clients	0	200	65,994	66,194	0	0
Salaries - Staff	24,689	201,128	21,267	222,395	144,752	46,664
Fringe benefits	8,152	66,703	7,681	74,384	47,796	15,378
Office supplies	142	2,647	23	2,670	832	18
Administrative fees	409	1,862	0	1,862	2,396	0
Bad debts	1,703	0	0	0	9,986	0
Industrial supplies	0	0	0	0	0	0
Janitorial supplies	0	0	0	0	0	0
Telephone	347	1,562	105	1,667	2,033	113
Postage and shipping	12	186	114	300	72	209
Rent	0	0	0	0	0	0
Taxes	0	0	0	0	0	85
Advertising	0	0	0	0	0	0
Outside printing	0	0	0	0	0	0
Travel	1,272	16,695	1,041	17,736	7,456	3,487
Equipment rent	0	0	0	0	0	0
Conferences and meetings	24	0	33	33	143	210
Tools	0	0	0	0	0	0
Repairs and maintenance - Equipment	0	0	0	0	0	0
Referrals	0	0	0	0	0	0
Miscellaneous	20	0	0	0	117	1,610
In-kind donations	0	13	0	13	0	0
Dues and subscriptions	0	0	0	0	0	0
Depreciation and amortization	57	1,539	31	1,570	336	0
<b>Total direct expenses</b>	<b>36,827</b>	<b>292,535</b>	<b>96,289</b>	<b>388,824</b>	<b>215,919</b>	<b>67,774</b>
Allocation of support services	1,467	13,044	2,953	15,997	8,602	2,975
<b>Total expenses</b>	<b>38,294</b>	<b>305,579</b>	<b>99,242</b>	<b>404,821</b>	<b>224,521</b>	<b>70,749</b>
<b>Change in net assets</b>	<b>\$ (8,789)</b>	<b>\$ (43,261)</b>	<b>\$ (39,859)</b>	<b>\$ (83,120)</b>	<b>\$ (51,531)</b>	<b>\$ (10,931)</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, 2013

	Total Marathon County Health Department	Lakeland Care District		Total Lakeland Care District	Western Wisconsin Cares Work Services	Barron County Restorative Justice
		Vocational Support	Work Services			
Public support and revenue:						
Human Services Department	\$ 99,053	\$ 0	\$ 0	\$ 0	\$ 0	\$ 32,000
Contributions	1,948	0	0	0	0	0
Retail sales	0	0	0	0	0	0
Program fees	131,807	167,630	28,077	195,707	29,441	0
<b>Total public support and revenue</b>	<b>232,808</b>	<b>167,630</b>	<b>28,077</b>	<b>195,707</b>	<b>29,441</b>	<b>32,000</b>
Expenses:						
Salaries - Clients	0	128	40,979	41,107	36,162	0
Salaries - Staff	191,416	128,527	10,055	138,582	10,544	32,109
Fringe benefits	63,174	42,626	4,492	47,118	4,111	10,640
Office supplies	850	1,692	11	1,703	11	320
Administrative fees	2,396	1,190	0	1,190	0	4,254
Bad debts	9,986	0	0	0	0	0
Industrial supplies	0	0	0	0	0	81
Janitorial supplies	0	0	0	0	0	2
Telephone	2,146	998	50	1,048	52	722
Postage and shipping	281	119	54	173	57	66
Rent	0	0	0	0	0	315
Taxes	85	0	0	0	0	0
Advertising	0	0	0	0	0	42
Outside printing	0	0	0	0	0	235
Travel	10,943	10,669	492	11,161	516	2,058
Equipment rent	0	0	0	0	0	0
Conferences and meetings	353	0	15	15	16	193
Tools	0	0	0	0	0	122
Repairs and maintenance - Equipment	0	0	0	0	0	21
Referrals	0	0	0	0	0	18
Miscellaneous	1,727	0	0	0	0	256
In-kind donations	0	9	0	9	0	0
Dues and subscriptions	0	0	0	0	0	0
Depreciation and amortization	336	984	15	999	16	663
<b>Total direct expenses</b>	<b>283,693</b>	<b>186,942</b>	<b>56,163</b>	<b>243,105</b>	<b>51,485</b>	<b>52,117</b>
Allocation of support services	11,577	8,336	1,396	9,732	1,464	1,591
<b>Total expenses</b>	<b>295,270</b>	<b>195,278</b>	<b>57,559</b>	<b>252,837</b>	<b>52,949</b>	<b>53,708</b>
<b>Change in net assets</b>	<b>\$ (62,462)</b>	<b>\$ (27,648)</b>	<b>\$ (29,482)</b>	<b>\$ (57,130)</b>	<b>\$ (23,508)</b>	<b>\$ (21,708)</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, 2013

	Adams County Beyond the Boundaries of Autism	Oconto County Beyond the Boundaries of Autism	Kenosha County Beyond the Boundaries of Autism	La Crosse County Beyond the Boundaries of Autism	Portage County Beyond the Boundaries of Autism	Fond du Lac County Beyond the Boundaries of Autism
Public support and revenue:						
Human Services Department	\$ 20,803	\$ 0	\$ 0	\$ 88,259	\$ 84,865	\$ 40,728
Contributions	0	0	0	0	0	0
Retail sales	0	0	0	0	0	0
Program fees	25,595	10,055	5,406	5,800	115,180	90,379
<b>Total public support and revenue</b>	<b>46,398</b>	<b>10,055</b>	<b>5,406</b>	<b>94,059</b>	<b>200,045</b>	<b>131,107</b>
Expenses:						
Salaries - Clients	0	0	0	0	0	0
Salaries - Staff	38,824	8,414	4,524	78,705	167,391	109,706
Fringe benefits	12,819	2,778	1,494	25,988	55,271	36,224
Office supplies	223	48	26	452	962	631
Administrative fees	643	139	75	1,303	2,770	1,816
Bad debts	2,678	580	312	5,430	11,548	7,569
Industrial supplies	0	0	0	0	0	0
Janitorial supplies	0	0	0	0	0	0
Telephone	545	118	64	1,106	2,351	1,541
Postage and shipping	19	4	2	39	84	55
Rent	0	0	0	0	0	0
Taxes	0	0	0	0	0	0
Advertising	0	0	0	0	0	0
Outside printing	0	0	0	0	0	0
Travel	1,996	433	233	4,054	8,622	5,651
Equipment rent	0	0	0	0	0	0
Conferences and meetings	38	8	4	78	165	108
Tools	0	0	0	0	0	0
Repairs and maintenance - Equipment	0	0	0	0	0	0
Referrals	0	0	0	0	0	0
Miscellaneous	31	7	4	63	135	0
In-kind donations	0	0	0	0	0	88
Dues and subscriptions	0	0	0	0	0	0
Depreciation and amortization	90	20	10	182	388	254
<b>Total direct expenses</b>	<b>57,906</b>	<b>12,549</b>	<b>6,748</b>	<b>117,400</b>	<b>249,687</b>	<b>163,643</b>
Allocation of support services	2,307	500	269	4,677	9,948	6,520
<b>Total expenses</b>	<b>60,213</b>	<b>13,049</b>	<b>7,017</b>	<b>122,077</b>	<b>259,635</b>	<b>170,163</b>
<b>Change in net assets</b>	<b>\$ (13,815)</b>	<b>\$ (2,994)</b>	<b>\$ (1,611)</b>	<b>\$ (28,018)</b>	<b>\$ (59,590)</b>	<b>\$ (39,056)</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, 2013

	Lutheran Social Services Beyond the Boundaries of Autism	Diverse and Resilient, Inc. HIV Prevention Activities	Total
Public support and revenue:			
Human Services Department	\$ 134,700	\$ 6,000	\$ 1,520,726
Contributions	0	0	2,390
Retail sales	0	0	101,982
Program fees	109,832	0	1,215,919
<b>Total public support and revenue</b>	<b>244,532</b>	<b>6,000</b>	<b>2,841,017</b>
Expenses:			
Salaries - Clients	0	0	367,268
Salaries - Staff	204,617	5,970	2,184,283
Fringe benefits	67,562	2,014	747,860
Office supplies	1,177	80	13,315
Administrative fees	3,387	1,338	32,924
Bad debts	14,117	0	69,342
Industrial supplies	0	24	1,258
Janitorial supplies	0	0	2
Telephone	2,874	64	23,745
Postage and shipping	102	0	2,802
Rent	0	0	315
Taxes	0	2	87
Advertising	0	28	70
Outside printing	0	52	966
Travel	10,539	525	136,560
Equipment rent	0	0	140
Conferences and meetings	202	11	4,608
Tools	0	10	901
Repairs and maintenance - Equipment	0	31	1,240
Referrals	0	0	18
Miscellaneous	164	168	2,755
In-kind donations	0	0	110
Dues and subscriptions	0	166	564
Depreciation and amortization	474	114	18,883
<b>Total direct expenses</b>	<b>305,215</b>	<b>10,597</b>	<b>3,610,016</b>
Allocation of support services	12,160	298	141,275
<b>Total expenses</b>	<b>317,375</b>	<b>10,895</b>	<b>3,751,291</b>
<b>Change in net assets</b>	<b>\$ (72,843)</b>	<b>\$ (4,895)</b>	<b>\$ (910,274)</b>

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

## Schedule of Expenditures of Federal, State, and Local Awards

Year Ended December 31, 2013

Grantor Agency/Pass-Through Agency Program Title	Federal CFDA Number	State ID Number	Federal Expenditures	State Expenditures	Local Expenditures
<b><u>U.S. Department of Education</u></b>					
Passed through Wisconsin Departments of Health Services, Workforce Development, and various counties and agencies:					
Rehabilitation Service Vocational Rehabilitations Grants to States	84.126		\$ 419,263	\$ 0	\$ 0
Special Education Grants for Infants and Families With Disabilities	84.181		339,122	0	0
<b><u>U.S. Department of Health and Human Services</u></b>					
Passed through Wisconsin Department of Health Services and various counties and agencies:					
Temporary Assistance for Needy Families	93.558		4,289	0	0
Social Services Block Grant	93.667		6,603	0	0
Medical Assistance Program	93.778		645,307	0	0
Passed through Diverse and Resilient, Inc.					
HIV Prevention Activities	93.940		6,000	0	0
<b><u>Passed Through Wisconsin Department of Health Services</u></b>					
Passed through various counties and agencies:					
Community Options Program	435.367		0	14,816	0
Intermediate Care - ICFMR NON FED	435.407			1,746	
Children Long-Term Supports	435.450		0	35,884	0
Special Education Grants for Infants and Families With Disabilities	435.550		0	332,803	0
Basic County Allocation	435.561		0	41,286	0
Community Integration Program - CIP 1B NON FEDERAL	435.564		0	25,469	23,596
Family Support Program	435.577		0	3,436	0
Children Long-Term Supports - DD Autism	435.802		0	35,196	0
Children Long-Term Supports - DD Other - COP	435.805		0	3,216	0
Children Long-Term Supports - MH Autism	435.808		0	19,874	0
Children Long-Term Supports - MH Other COP Match	435.811		0	6,527	0
Children Long-Term Supports - DD AUT CWA ADMIN GPR	435.832		0	8,475	0
<b><u>Wisconsin Department of Workforce Development</u></b>					
Passed through various counties and agencies:					
Vocational Rehabilitation		N/A	0	113,473	0
<b>Total federal, state, and local awards</b>			<b>\$ 1,420,584</b>	<b>\$ 642,201</b>	<b>\$ 23,596</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 under programs of the federal and state governments, and local sources for the year ended December 31, 2013. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Guidelines, issued by the Wisconsin Department of Administration. Because the schedule presents only a selected portion of the operations of Goodwill Industries, it is not intended to and does not present the financial position, changes in net assets or cash flows of Goodwill Industries.

### Note 2      **Summary of Significant Accounting Policies**

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



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

Board of Directors

Goodwill Industries of North Central Wisconsin, Inc.

Menasha, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the consolidated financial statements of Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries (the "Organization") which comprise the consolidated statement of financial position as of December 31, 2013, and the related consolidated statement 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, 2014. The financial statements of Financial Information & Service Center, Inc. (FISC), Money Management Education Associates (MMEA), and Goodwill Industries Development Corporation (the "Subsidiaries") were audited in accordance with GAAS, but were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with these entities.

### Internal Control Over Financial Reporting

In planning and performing our audit, 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 opinions 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 attention by those charged with governance.

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

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

Wipfli LLP

April 28, 2014  
Madison, Wisconsin



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

Board of Directors

Goodwill Industries of North Central Wisconsin, Inc.

Menasha, Wisconsin

### **Report on Compliance for Each Major Federal and State Program**

We have audited Goodwill Industries of North Central Wisconsin, Inc.'s compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines*, issued by the Wisconsin Department of Administration, that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2013. Goodwill Industries of North Central Wisconsin, Inc.'s major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

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

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

## Opinion

In our opinion, Goodwill Industries of North Central Wisconsin, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2013.

## Report on Internal Control Over Compliance

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

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

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



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

*Wipfli LLP*

Wipfli LLP

April 28, 2014

Madison, Wisconsin

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

## Schedule of Findings and Questioned Costs

Year Ended December 31, 2013

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

Noncompliance material to financial statements noted? No

#### Federal Awards

Internal control over major programs:

Material weakness identified? No

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

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

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

Identification of major federal program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.778	Medical Assistance Program

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

Auditee qualified as low-risk auditee? Yes

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

## Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2013

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### Section II Financial Statement Findings

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

### Section III Federal Award Findings and Questioned Costs

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

### Section IV Other Issues

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

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

Department of Health Services No

Department of Workforce Development No

Identification of major state programs:

<u>CARS Number</u>	<u>Name of State Program or Cluster</u>
435.450	CLTS DD Non-Federal
435.802	CLTS DD Autism
435.805	CLTS DD Other
435.808	CLTS MH Autism
435.811	CLTS MH Other
435.832	CLTS DD Autism CW Admin
435.561	Basic County Allocation – Community Services and Mental Health Services
N/A	DVR – Work Services / Vocational Support Services

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

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

## Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2013

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### Section IV Other Issues (Continued)

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

No

Name and signature of partner



Jean M. Christensen, CPA

Date of report

April 28, 2014

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

## Schedule of Prior-Year Findings and Questioned Costs

Year Ended December 31, 2012

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### Section I      Prior Year Audit Results

There were no prior-year findings or questioned costs.