

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Consolidated Financial Statements and
Supplementary Information

Years Ended December 31, 2020 and 2019



Independent Auditor's Report

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries (a nonprofit organizations), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. The financial statements of Money Management Education Associates and Goodwill Industries Development Corporation were not audited in accordance with *Government Auditing Standards* as these entities do not receive federal funding.

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, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

Supplementary Information

Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of expenditures of federal and state awards, as required by the State of Wisconsin Department of Health Services Audit Guide, issued by the Wisconsin Department of Health Services, is presented for the purposes of additional analysis, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2021, on our consideration of Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries' 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. and Subsidiaries' internal control over financial reporting and compliance.



Wipfli LLP

Green Bay, Wisconsin

April 20, 2021

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Consolidated Statements of Financial Position

<i>As of December 31,</i>	2020	2019
Current assets:		
Cash and cash equivalents	\$ 22,870,598	\$ 20,074,742
Accounts receivable customers - Net	242,667	381,887
Accounts receivable grants and other	1,180,434	328,701
Inventories	15,055,295	14,942,929
Prepaid expenses and other	342,969	388,603
Total current assets	39,691,963	36,116,862
Property and equipment - Net	48,066,426	50,615,939
Interest in Community Foundations	1,457,326	1,327,474
Other assets:		
Deferred compensation	1,299,921	1,460,202
Restricted cash	1,102,740	643,633
Total other assets	2,402,661	2,103,835
Total assets	\$ 91,618,376	\$ 90,164,110

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Consolidated Statements of Financial Position (Continued)

<i>As of December 31,</i>	2020	2019
Current liabilities:		
Current maturities of long-term debt	\$ 2,022,000	\$ 2,312,798
Accounts payable	2,923,779	2,780,402
Accrued and other liabilities:		
Payroll and related	2,102,752	1,076,363
Other	1,530,896	1,876,098
Total current liabilities	8,579,427	8,045,661
Long-term liabilities:		
Long-term debt - Net	15,846,429	18,019,032
Deferred compensation	1,299,921	1,460,202
Total long-term liabilities	17,146,350	19,479,234
Total liabilities	25,725,777	27,524,895
Net assets:		
Without donor restrictions	65,280,340	62,144,350
With donor restrictions:		
Perpetual in nature	212,900	212,900
Time-restricted for future periods	399,359	281,965
Net assets with donor restrictions	612,259	494,865
Total net assets	65,892,599	62,639,215
Total liabilities and net assets	\$ 91,618,376	\$ 90,164,110

See accompanying notes to consolidated financial statements.

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Consolidated Statements of Activities

<i>Year Ended December 31, 2020</i>	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:			
Public support:			
Government and other grants	\$ 1,374,703	\$ -	\$ 1,374,703
In-kind contributions	420,431	-	420,431
Contributions	698,897	289,949	988,846
Total public support	2,494,031	289,949	2,783,980
Revenue:			
Retail sales	36,959,364	-	36,959,364
Outlet store sales	868,193	-	868,193
Post retail sales	2,714,845	-	2,714,845
E-commerce	3,047,464	-	3,047,464
Contracted services	277,173	-	277,173
Program fees	1,464,520	-	1,464,520
Rental income	246,279	-	246,279
Miscellaneous revenue	174,657	-	174,657
Total revenue	45,752,495	-	45,752,495
Net assets released from donor restrictions	198,065	(198,065)	-
Total public support and revenue	48,444,591	91,884	48,536,475
Expenses:			
Program services	39,118,384	-	39,118,384
Management and general	6,357,582	-	6,357,582
Fund-raising	29,033	-	29,033
Total expenses	45,504,999	-	45,504,999
Excess of public support and revenue over expenses	2,939,592	91,884	3,031,476
Other nonoperating activities:			
Change in interest in Community Foundations	104,342	25,510	129,852
Loss on disposal of property and equipment	(186)	-	(186)
Interest income	92,242	-	92,242
Total other nonoperating activities	196,398	25,510	221,908
Changes in net assets	3,135,990	117,394	3,253,384
Net assets at beginning	62,144,350	494,865	62,639,215
Net assets at end	\$ 65,280,340	\$ 612,259	\$ 65,892,599

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Consolidated Statements of Activities (Continued)

<i>Year Ended December 31, 2019</i>	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:			
Public support:			
Government and other grants	\$ 461,906	\$ -	\$ 461,906
In-kind contributions	316,167	-	316,167
Contributions	1,382,811	206,417	1,589,228
Total public support	2,160,884	206,417	2,367,301
Revenue:			
Retail sales	46,535,333	-	46,535,333
Outlet store sales	1,376,224	-	1,376,224
Post retail sales	3,309,282	-	3,309,282
E-commerce	4,729,024	-	4,729,024
Contracted services	253,535	-	253,535
Program fees	2,137,215	-	2,137,215
Rental income	261,631	-	261,631
Miscellaneous revenue	191,584	-	191,584
Total revenue	58,793,828	-	58,793,828
Net assets released from donor restrictions	231,088	(231,088)	-
Total public support and revenue	61,185,800	(24,671)	61,161,129
Expenses:			
Program services	47,508,959	-	47,508,959
Management and general	8,313,071	-	8,313,071
Fund-raising	76,219	-	76,219
Total expenses	55,898,249	-	55,898,249
Excess (deficiency) of public support and revenue over expenses	5,287,551	(24,671)	5,262,880
Other nonoperating activities:			
Change in interest in Community Foundations	91,150	19,494	110,644
Loss on disposal of property and equipment	(156,963)	-	(156,963)
Interest income	260,997	-	260,997
Change in fair value of interest rate swap	(93,808)	-	(93,808)
Total other nonoperating activities	101,376	19,494	120,870
Changes in net assets	5,388,927	(5,177)	5,383,750
Net assets at beginning	56,755,423	500,042	57,255,465
Net assets at end	\$ 62,144,350	\$ 494,865	\$ 62,639,215

See accompanying notes to consolidated financial statements.

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Consolidated Statements of Functional Expenses

<i>Year Ended December 31, 2020</i>	Retail Services	Other Program Services	Fund-raising	Management and General	Total
Expenses:					
Salaries and wages - Client	\$ 322,896	\$ 85,286	\$ -	\$ 1,974	\$ 410,156
Salaries and wages - Staff	15,755,356	2,395,977	14,022	3,421,179	21,586,534
Fringe benefits	4,652,399	726,793	4,622	1,016,004	6,399,818
Cost of sales	3,134,834	-	-	-	3,134,834
Administrative fees	1,138,368	128,425	490	341,236	1,608,519
Bad debt recovery	-	(49,249)	-	-	(49,249)
Industrial supplies	385,245	18,966	8,557	324,613	737,381
Janitorial supplies	222,429	222	-	25,769	248,420
Telephone	134,270	20,278	-	38,982	193,530
Postage and shipping	837,545	17,273	152	9,460	864,430
Rent	832,124	19,440	-	-	851,564
Insurance	332,334	869	-	49,989	383,192
Interest expense	417,891	-	-	19,022	436,913
Property and other taxes	127,690	128	51	609	128,478
Advertising	317,798	8,883	-	15,261	341,942
Outside printing	9,947	12,749	513	15,925	39,134
Travel	91,656	75,886	155	31,176	198,873
Vehicle	193,638	-	-	15,436	209,074
Equipment rental	329,902	1,340	-	19,614	350,856
Trash removal	729,335	-	-	1,808	731,143
Conferences, conventions, and meetings	6,592	6,831	170	1,783	15,376
Utilities	928,186	740	-	97,763	1,026,689
Tools	663,554	48,960	-	44,417	756,931
Repairs and maintenance - Land and building	555,910	552	-	69,703	626,165
Repairs and maintenance - Equipment	279,796	1,201	-	21,489	302,486
Referrals	4,455	582,532	-	-	586,987
Miscellaneous expense	9,031	7,932	99	61,344	78,406
Dues	121	29,553	-	186,178	215,852
Depreciation	2,518,571	44,944	202	526,848	3,090,565
Totals	\$ 34,931,873	\$ 4,186,511	\$ 29,033	\$ 6,357,582	\$ 45,504,999

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Consolidated Statements of Functional Expenses (Continued)

<i>Year Ended December 31, 2019</i>	Other Program			Management	Total
	Retail Services	Services	Fund-raising	and General	
Expenses:					
Salaries and wages - Client	\$ 598,776	\$ 409	\$ -	\$ 1,095	\$ 600,280
Salaries and wages - Staff	19,294,457	2,733,077	51,330	4,216,560	26,295,424
Fringe benefits	5,081,172	699,796	12,874	1,074,306	6,868,148
Cost of sales	4,113,770	825	-	-	4,114,595
Administrative fees	1,646,481	185,713	9,013	691,869	2,533,076
Bad debt expense	-	21,324	-	-	21,324
Industrial supplies	535,451	35,603	60	19,647	590,761
Janitorial supplies	232,103	60	-	20,145	252,308
Telephone	141,520	25,368	-	48,883	215,771
Postage and shipping	1,500,289	13,971	349	9,069	1,523,678
Rent	841,390	18,380	-	950	860,720
Insurance	312,370	6,909	-	46,782	366,061
Interest expense	996,246	-	-	591,526	1,587,772
Property and other taxes	143,025	64	26	329	143,444
Advertising	461,122	4,632	-	30,469	496,223
Outside printing	9,950	17,716	1,617	57,146	86,429
Travel	94,607	139,112	71	95,751	329,541
Vehicle	342,903	-	-	-	342,903
Equipment rental	380,125	3,554	-	7,790	391,469
Trash removal	665,249	-	-	3,782	669,031
Conferences, conventions and meetings	14,500	4,562	195	18,731	37,988
Utilities	1,046,599	863	-	115,458	1,162,920
Tools	399,012	18,137	-	65,598	482,747
Repairs and maintenance - Land and building	748,195	5,385	-	111,906	865,486
Repairs and maintenance - Equipment	365,972	1,708	-	108,786	476,466
Referrals	5,412	635,660	-	-	641,072
Miscellaneous expense	22,382	128,480	-	206,452	357,314
Dues	4,132	25,215	280	246,528	276,155
Depreciation	2,741,559	43,667	404	523,513	3,309,143
Totals	\$ 42,738,769	\$ 4,770,190	\$ 76,219	\$ 8,313,071	\$ 55,898,249

See accompanying notes to consolidated financial statements.

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

<i>Years Ended December 31, 2020 and 2019</i>	2020	2019
Change in cash and cash equivalents:		
Cash flows from operating activities:		
Change in net assets	\$ 3,253,384	\$ 5,383,750
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Provision for depreciation	3,090,565	3,309,143
Amortization of debt issuance costs classified as interest expense	17,897	531,078
Change in fair value of interest rate swap agreements	-	93,808
Loss on disposal of property and equipment	186	156,963
Bad debt expense (recovery)	(49,249)	21,324
Change in interest in Community Foundations	(129,852)	(110,644)
Changes in operating assets and liabilities:		
Accounts receivable - Net	(663,264)	18,749
Inventories	(112,366)	(482,153)
Prepaid expenses and other	45,634	121,336
Accounts payable	143,377	1,078,538
Accrued and other liabilities	681,187	(155,549)
Total adjustments	3,024,115	4,582,593
Net cash flows from operating activities	6,277,499	9,966,343
Cash flows from investing activities:		
Capital expenditures for property and equipment	(541,738)	(1,527,050)
Proceeds from sale of property and equipment	500	12,587
Contribution to Community Foundations	-	(10,717)
Net cash flows from investing activities	(541,238)	(1,525,180)

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (Continued)

<i>Years Ended December 31, 2020 and 2019</i>	2020	2019
Cash flows from financing activities		
Principal payments on long-term debt	\$ (2,481,298)	\$ (2,305,860)
Payments to liquidate interest rate swap agreement	-	(773,800)
Payments for deferred financing fees	-	(178,967)
Net cash flows from financing activities	(2,481,298)	(3,258,627)
Change in cash and cash equivalents	3,254,963	5,182,536
Cash and cash equivalents at beginning	20,718,375	15,535,839
Cash and cash equivalents at end	\$ 23,973,338	\$ 20,718,375
Supplemental cash flow information:		
Cash paid for interest	\$ 431,267	\$ 896,860
Noncash financing and investing activities		
Change in assets held on behalf of employees in the deferred compensation plan	\$ -	\$ (291,546)
Refinanced debt	-	19,929,903
Reconciliation of Cash and Cash Equivalents:		
Cash and cash equivalents	\$ 22,870,598	\$ 20,074,742
Restricted cash	1,102,740	643,633
Total	\$ 23,973,338	\$ 20,718,375

See accompanying notes to consolidated financial statements.

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies

Organization Activity

The consolidated financial statements include the accounts of Goodwill Industries of North Central Wisconsin, Inc. ("Goodwill NCW"), Financial Information & Service Center, Inc. (FISC) which was consolidated through September 1, 2020, Money Management Education Associates (MMEA), and Goodwill Industries Development Corporation, collectively referred to as the Organization. Goodwill NCW exists to improve the community by improving the lives of its people through services, partnership, collaboration, and the responsible use of community resources. Goodwill NCW's support comes primarily from retail sales in 27 retail locations throughout north central Wisconsin, contributions, and fees and grants from governmental agencies.

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

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

MMEA is a nonprofit Wisconsin corporation organized to prepare 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 NCW.

Basis 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. Collectively, the consolidated entities are referred to as the "Organization."

Effective September 1, 2020, FISC was dissolved and all assets, liabilities, net assets, program activities and operations were transferred to Goodwill NCW. All intercompany transactions were eliminated during consolidation and there was no net effect on the consolidated change in net assets or net assets in total.

Basis of Presentation

The consolidated financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States (GAAP).

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of the accompanying consolidated financial statements in accordance with GAAP 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.

Measure of Operations

The consolidated statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing services. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Net Assets

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions: Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

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

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Restricted Cash

Restricted cash primarily includes cash and cash equivalents funds held in trust for clients receiving financial services.

Accounts Receivable

Accounts receivable arise from contract payments for program services, amounts expected from salvage customers, and miscellaneous credits and are stated at the amount management expects to collect from outstanding balances. Accounts receivable from grants and other is reported at the amount that the Organization has earned in accordance with the grant award or based on donor information. Accounts receivable from contracts with customers is reported at the amount that reflects the consideration to which the Organization expects to be entitled, in exchange for providing goods for sale and services. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the consolidated financial statements.

Inventories

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 sales value per container depending upon the classification. The average value 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. During 2019, Goodwill NCW used an average of the last three months of donated sales during October, November, and December 2019. During 2020, Goodwill NCW used an average of the last three months of donated sales during October, November, and December of 2017, 2018, and 2019 to more reflect the historical level of donated inventory on hand. Goodwill NCW was still experiencing depressed sales volume during the last quarter of 2020 which would not have resulted in an accurate reflection of donated goods inventory on hand.

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Inventories (Continued)

It is not practical to determine the fair value of goods donated during the course of the year. Approximately 95% and 93% of inventories were composed of donated goods at December 31, 2020 and 2019, respectively.

Beneficial Interest in Assets Held by Community Foundation

The Organization has placed funds with various Community Foundations for the benefit of the Organization. The Organization granted variance power to the Community Foundations, which allows the Community Foundation to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of the Community Foundation's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The fund is held and invested by the Community Foundation for our benefit and is reported at fair value in the consolidated statements of financial position, with distributions and changes in fair value recognized in the consolidated statements of activities.

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 other nonoperating activities on the statements of activities. Depreciation is computed on the straight-line method for financial reporting purposes based on the estimated useful lives of the respective assets. Estimated useful lives range from 5 to 15 years for major movable equipment and 5 to 40 years for land improvements, buildings, and fixed equipment.

Deferred 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.

Investments

The Organization's deferred compensation balances are invested in marketable securities with readily determinable fair values and debt securities at their fair values in the consolidated statement of financial position. Quoted market prices in active markets are used as the basis of measurement. Unrealized gains and losses are included in investment income in the change in net assets in the accompanying consolidated statements of activities, net of investment expenses if applicable.

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Investments (Continued)

Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Fair Value Measurements

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

Debt Issuance Costs

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

Revenue Recognition

Retail and Outlet Store Sales

Retail and outlet store sales revenue includes traditional store sales, as well as outlet store sales and is reported at the amount that reflects the consideration to which Goodwill NCW expects to be entitled in exchange for providing goods to the customer. These amounts are generated from sales to customers in the North Central Wisconsin area. Customers pay for goods sold on a stand-alone selling price basis at the point of sale, which occurs at a point in time. Control is transferred immediately to the customer at the point of sale.

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Retail and Outlet Store Sales (Continued)

Retail and consumer products provide customers with several distinct opportunities that are considered performance obligations:

- Goodwill NCW's sales policy provides a right of return to the customer, which begins at the point of sale and expires at the end of the return period (14 days for the retail and outlet stores). A return allows a customer to get "in-store credit" in the amount of the selling price of the goods being returned.
- Goodwill NCW provides a customer loyalty program ("Good Points" or rewards dollars) that entitles a customer to earn rewards dollars that may be redeemed for future purchases at no, or reduced cost. Rewards dollars expire 60 days after they are earned.
- Goodwill NCW allows customers to purchase gift certificates on a stand-alone selling price basis. Customers can then purchase goods in retail locations as if the gift certificate was cash.

Goodwill NCW estimates and recognizes a reduction in reported revenue on a stand-alone selling price basis using actual returns for the allowable return window at fiscal year-end and records a liability for variable consideration and customer incentives to which Goodwill NCW is not yet entitled. Cash received from gift certificates is recognized as a liability until the customer uses it in a store and converts it into sales revenue. When the return period expires, or when customer loyalty points expire, the estimated consideration is reclassified from a liability to earned sales revenue.

E-commerce Sales

E-commerce sales revenue results from customer purchases of retail and consumer products on various e-commerce sites and is reported at the amount that reflects the consideration to which Goodwill NCW expects to be entitled in exchange for providing the goods to the customer. These amounts are generated from sales to customers across the geographic United States. Customers pay for goods on a stand-alone selling price basis sold at the point of sale and control of goods sold using e-commerce is transferred at the point of shipment, which happens virtually simultaneously with the point of sale.

Goodwill NCW's e-commerce sales policy provides a right of return to the customer which begins at the point of sale and expires at the end of the return period (ranging from 7 to 30 days, depending on the site). E-commerce sales are not eligible for rewards dollars.

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Post Retail Sales

Post retail sales revenue results from industrial customers purchasing bulk retail and consumer goods that Goodwill NCW does not sell in its retail environment. Revenue is reported at the amount that reflects the consideration to which Goodwill NCW expects to be entitled in exchange for providing post retail goods to the customer. These amounts are generated from customers located throughout the United States and Canada. Post retail sales are priced by weight and Goodwill NCW invoices the customer when the post retail goods ship, which is the point at which control transfers to the customer (FOB shipping point).

There are no discounts on purchases or payment and Goodwill NCW does not allow returns for refund of post retail sales.

Contracted Services

Goodwill NCW performs light assembly jobs for other organizations. These assembly services are typically performed using parts owned and supplied by the customer. Revenue is reported at the amount that reflects the consideration to which Goodwill NCW expects to be entitled in exchange for providing the services to the customer. These amounts are generated from customers located in the Northeastern Wisconsin area. Customers are invoiced, and revenue is recognized at the time that the performance obligation is satisfied which occurs as the service is performed over time. Goodwill NCW determines the transaction price based on standard charges for services provided to similar customers and contracts.

Program Fees

Goodwill NCW provides either center-based employment, prevocational day services, or community-based programs. These services are provided to individuals authorized by the customer in exchange for fees, primarily from managed care or other organizations under third-party reimbursement arrangements, the State of Wisconsin Division of Vocational Rehabilitation (DVR), or from families under private pay arrangements. Contract terms are established using predetermined rate-based reimbursement agreements; managed care or other organizations negotiate the reimbursement rates annually with Goodwill NCW based on 15-minute, hourly, or other increments, private pay rates are negotiated with the families, and the DVR negotiates rates annually based on a completed unit of service basis. Amounts earned, for purposes of practicality, are invoiced to the customer and recorded as revenue on a monthly basis. There are no volume, pricing, or payment discounts, payments are typically received within 30 to 60 days after billing, and Goodwill NCW does not receive payments in advance of services provided.

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Program Fees (Continued)

Goodwill NCW considers the performance obligation to be providing services to the eligible individual and the performance obligation is satisfied over-time as the services are provided under managed care or other rate-based reimbursement contracts as the individual is simultaneously receiving and consuming the benefits of the service, and at a point in time upon unit-of-service completion under DVR contracts as Goodwill NCW is not entitled to bill or collect revenue from DVR until the unit of service is accomplished. Goodwill NCW feels the output method is the most faithful depiction of the transfer of goods or services (i.e., increment of time or completed service unit) as neither the individuals nor Goodwill NCW is obligated beyond those terms.

Goodwill NCW also provides counseling services related to budgeting, debt, student loan, and housing counseling services. Goodwill NCW enters into a contract with individuals, who are seeking such services and pricing terms are established using standard rates either per service or per hour. The performance obligation is to provide the agreed upon counseling service and customers pay using cash, credit card, or money order, and revenue is recognized at the time the service is provided. There is no variable consideration in the contract and no contract assets, contract liabilities, or accounts receivable from contracts with customers as a result.

Goodwill NCW also provides representative payee and bill paying services to customers. Goodwill NCW enters into a contract with individuals, who are seeking such services, and pricing terms are established using standard rates per month. The performance obligation is to provide services generally for one month; customers are charged, and revenue is recognized at the end of each month for services based on the monthly fee as the performance obligation is satisfied. There is no variable consideration in the contract, and the amounts are credited immediately from the customers' accounts. As a result, there are no contract assets, contract liabilities, or accounts receivable from contracts with customers.

Goodwill NCW does collect sales tax as required by the Wisconsin Department of Revenue. Goodwill NCW excludes sales tax from the measurement of all transaction prices, since they are collected and remitted directly to the state of Wisconsin as a pass-through.

In-Kind Contributions

In-kind contributions represent the net increase in donated inventory on hand at December 31, 2020 and 2019. When the net change in donated inventory is a decrease, the change is reported in cost of sales on the consolidated statements of functional expenses. In-kind contributions of \$420,431 and \$316,167 related to an increase in donated inventory on hand were recognized in 2020 and 2019, respectively. Sales of donated inventory are recognized when the transaction occurs and are reported in retail sales on the consolidated statements of activities.

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Contribution Revenue

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit identifying of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized.
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met.

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received.

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions when placed in service.

Grant Revenue

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

Grant Awards That Are Contributions - Grants awards that are contributions are evaluated for conditions and recognized as revenue when conditions in the award are satisfied. Unconditional awards are recognized as revenue when the award is received. Amounts received in which conditions have not been met are reported as a refundable advance liability.

Grant Awards That Are Exchange Transactions - Exchange transactions are those in which the resource provider or grantor receives a commensurate value in exchange for goods or services transferred. Revenue is recognized when control of the promised goods or services is transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Amounts received in excess of recognized revenue are reflected as a contract liability.

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses provide an analysis of expenses by nature and function. Direct costs necessary for Goodwill NCW's operations are charged to the program or activity, and shared costs are reported as support services.

Advertising

Advertising costs are charged to operations when incurred.

Income Taxes

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

The Organization is required to assess whether it is more likely than not that a tax position will be sustained upon examination on the technical merits of the position assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the financial statements. The Organization has determined there are no amounts to record as assets or liabilities related to uncertain tax positions.

Reclassifications

Certain amounts as previously reported in the 2019 consolidated financial statements have been reclassified to conform to the 2020 presentation. Such reclassifications have no effect on reported amounts of net assets or change in net assets. Such reclassifications increased cash and accounts payable for \$350,465 and included minor reclassifications between line items in the consolidated statements of activities and functional expenses.

Change in Accounting Policy

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurements*. The amendments in this ASU are intended to improve the effectiveness of disclosures about fair value measurements required under Accounting Standards Codification (ASC) 820. The ASU removes certain disclosures modifies others. The Organization has applied the amendments in this ASU on a retrospective basis. There was no change in opening balances of net assets and no prior period results were restated.

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Business Risks and Uncertainties

The impact of the COVID-19 pandemic on Goodwill NCW as a nonprofit human services organization has been substantial, with retail stores and training centers being closed March 24, 2020, through May 25, 2020 with Governor Tony Evers' statewide Safer at Home order. Because of the shutdown, Goodwill NCW lost over \$10 million in possible retail revenue to fund its mission and maintained reduced store and donation hours throughout 2020. With people spending more time at home, Goodwill NCW received a higher volume of donations, which is reflected in the 2020 inventory. Goodwill NCW feels it has implemented a reasonable response to the risks related to the COVID-19 pandemic but the long-term impact cannot be reasonably estimated.

Note 2: Accounts Receivable From Customers and Revenue From Contracts with Customers

Accounts receivable balances at December 31, included the following:

	2020	2019	2018
Accounts receivable from contracts with customers	\$ 277,667	\$ 436,887	\$ 380,908
Less - Allowance for doubtful accounts	35,000	55,000	82,000
Accounts receivable from contracts with customers - Net	\$ 242,667	\$ 381,887	\$ 298,908

The Organization did not have any contract assets as of December 31, 2020 and 2019.

Contract liabilities at December 31, included the following:

	2020	2019
Gift cards outstanding	\$ 82,958	\$ 86,119
Store credits outstanding	120,294	86,783
Good Points	112,402	72,994
Contract liabilities end of year	\$ 315,654	\$ 245,896

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 2: Accounts Receivable From Customers and Revenue From Contracts with Customers (Continued)

Activity in contract liabilities during the years ended December 31, were as follows:

	2020	2019
Contract liabilities beginning of year	\$ 245,896	\$ 241,800
Increase in contract liability	69,758	4,096
Contract liabilities end of year	\$ 315,654	\$ 245,896

The change in contract liabilities was a factor of additional Good Points earned balances, an increase in estimated customer returns, and gift certificate usage periods expiring.

Revenue from contracts with customers for the years ended December 31, is as follows:

	2020	2019
Retail sales (recognized point in time)	\$ 37,827,557	\$ 47,911,557
Program fees (recognized over time)	1,287,336	1,782,977
Program fees (recognized point in time)	177,184	354,238
E-commerce sales (recognized point in time)	3,047,464	4,729,024
Post retail sales (recognized point in time)	2,714,845	3,309,282
Contracted serves (recognized over time)	277,173	253,535
Total revenue from contracts with customers	\$ 45,331,559	\$ 58,340,613

Sales revenue (retail, e-commerce, and post-retail) is recognized at a point in time. This is because control does not transfer to the customer until the point of sale or when shipment occurs in the case of e-commerce sales. As discussed in Note 1, certain variable consideration and customer rights are reported as contract liabilities and recognized in revenue when the Organization is entitled to the revenue recognition, usually at the expiration of a certain amount of time. Contracted services revenue is recognized over time as the customer simultaneously receives and consumes the benefit of services on the parts that they own. Program fees recognized at a point in time reflect the fact that the Organization cannot reasonably expect to collect payment until the service is completed. Program fees recognized over time reflect the fact that the customer is simultaneously consuming and receiving the benefits of the services. The Organization uses the output method to measure value transferred to the customer using a per unit pricing structure, whereby the Organization is entitled to payment based on the units of output.

The Organization had one major customer during 2019. At December 31, 2019, amounts due from that customer included in accounts receivable - net were approximately \$161,845, or 67%, of the total balance. There were no such concentrations in 2020.

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 3: Liquidity and Availability of Financial Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are comprised of the following at December 31:

	2020	2019
Cash and cash equivalents	\$ 22,870,598	\$ 20,074,742
Accounts receivable	1,423,101	710,588
Interest in Community Foundations	1,457,326	1,327,474
Subtotal liquid financial resources	25,751,025	22,112,804
Less:		
Reserves to meet debt covenants	(5,408,850)	(6,032,481)
Endowment funds	(212,900)	(212,900)
Contributions from donor with time restrictions	(175,977)	(198,065)
Net financial resources available for general expenditures	\$ 19,953,298	\$ 15,669,358

The Organization regularly monitors the availability of resources required to meet its operating, debt service, and capital needs. The Organization also has a line of credit available to meet short-term needs (see Note 7 for more information).

Note 4: Beneficial Interest in Assets Held by Community Foundation

As of December 31, 2020 and 2019, funds with a fair value totaling \$1,457,326 and \$1,327,474, respectively, are being held for the use and future benefit of Goodwill NCW at the following foundations: Community Foundation for the Fox Valley Region, Greater Green Bay Community Foundation, Inc., South Wood County Community Foundation, Community Foundation of North Central Wisconsin, La Crosse Community Foundation, Oshkosh Area Community Foundation, Stevens Point Area Foundation, Eau Claire Area Foundation, Shawano Area Community Foundation, Inc., Marshfield Area Community Foundation, and Waupaca Area Community Foundation (collectively referred to as the "Community Foundations").

In a prior year, Goodwill NCW 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 NCW. All changes in the value of the funds transferred by Goodwill NCW are considered changes in net assets without donor restrictions. All changes in the value of the donor-restricted endowment funds are recorded as net assets with donor restrictions in accordance with the standards applicable to endowments as described in Note 6. The accompanying consolidated financial statements include an increase of \$129,852 in 2020 and an increase of \$110,644 in 2019 in interest in Community Foundations.

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 4: Beneficial Interest in Assets Held by Community Foundation (Continued)

Annually, the Community Foundations determine amounts available for distribution to Goodwill NCW based on various distribution policies of their respective foundations. Goodwill NCW 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

A summary of property and equipment is as follows as of December 31:

	2020	2019
Land and land improvements	\$ 19,404,564	\$ 19,404,564
Buildings and improvements	50,344,686	50,252,173
Furniture and equipment	17,730,382	17,017,302
Construction in progress	32,608	355,353
Total property and equipment	87,512,240	87,029,392
Less - Accumulated depreciation	39,445,814	36,413,453
Totals	\$ 48,066,426	\$ 50,615,939

Construction in progress as of December 31, 2020 and 2019, consists of costs for remodeling and updating of equipment and current locations.

Note 6: Endowment Funds

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 consolidated statements of financial position.

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

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 6: Endowment Funds (Continued)

As a result of this interpretation, the Organization classifies as net assets with donor restrictions that have a perpetual restriction (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. At the time the Organization elects to appropriate expenditures from donor-restricted endowment funds in a manner consistent with the standard of prudence prescribed by UPMIFA, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to preserve the purchasing power of the endowment assets. Under the Organization's investment policy, as approved by the Board, 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 net assets with donor restrictions until appropriated for distribution at the Board's discretion.

Changes in endowment funds were as follows:

	With Donor Restrictions - Accumulated Gains	With Donor Restrictions - Original Gift	With Donor Restrictions Total
Endowment at January 1, 2019	\$ 64,406	\$ 202,183	\$ 266,589
Contributions	-	10,717	10,717
Net appreciation	19,494	-	19,494
Endowment at December 31, 2019	83,900	212,900	296,800
Contributions	-	-	-
Net appreciation	25,510	-	25,510
Endowment at December 31, 2020	\$ 109,410	\$ 212,900	\$ 322,310

There were no endowments that were without donor restriction as of December 31, 2020 and 2019.

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 7: Line of Credit

The Organization maintains a line of credit with PNC Bank in the amount of \$5,000,000 with interest at daily LIBOR plus 2.25% (with a floor of .75%). The effective rate at December 31, 2020, was 3%. The line of credit matures July 2021. There were no draws on the line of credit as of December 31, 2020 and 2019.

Note 8: Notes Payable

The Organization has the following notes payable as of December 31:

	2020	2019
City of Tomah, Wisconsin, Industrial Revenue Bonds, Series 2002, dated September 27, 2002, payable in monthly installments of \$36,658, including interest at 1.7% secured by land and buildings, matures September 2022.	\$ -	\$ 402,527
Wisconsin Health and Educational Facilities Authority (WHEFA) Revenue Bonds, Series 2019, dated December 20, 2019, payable in monthly installments of \$168,500 plus interest at 2.16% secured by land and buildings, matures December 2029.	18,029,500	20,108,271
Totals	18,029,500	20,510,798
Less - Current maturities	2,022,000	2,312,798
Long-term portion	16,007,500	18,198,000
Less - Debt issuance costs - Net	161,071	178,968
Totals	\$ 15,846,429	\$ 18,019,032

Unamortized bond issuance costs related to issuance of long-term debt are amortized and reported as interest expense over the life of the related debt using the straight-line method. Net deferred financing costs were \$161,071 and \$178,968 as of December 31, 2020 and 2019, respectively, with accumulated amortization of \$17,897 and \$0, respectively. The net deferred financing costs related to debt agreements refinanced in 2019 were fully expensed as amortization. Amortization expense classified as interest expense was \$17,897 and \$531,078 during 2020 and 2019, respectively.

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

Note 8: Notes Payable (Continued)

Scheduled principal payments on long-term debt at December 31, 2020, including current maturities, are summarized as follows:

2021	\$	2,022,000
2022		2,022,000
2023		2,022,000
2024		2,022,000
2025		2,022,000
Thereafter		7,919,500
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Total	\$	18,029,500

Note 9: Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at December 31:

	2020	2019
Contributions - Time restricted	\$ 175,977	\$ 198,065
Contributions - restricted for financial education and debt counseling	113,972	-
Accumulated investment earnings - Time restricted	109,410	83,900
Donor-restricted endowment - Perpetual in nature	212,900	212,900
<hr/>		
Totals	\$ 612,259	\$ 494,865

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31:

	2020	2019
Contributions utilized in the time period for which they were restricted	\$ 198,065	\$ 231,088

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 10: Operating Leases

The Organization conducts a portion of its operations in leased facilities under noncancelable operating leases. The Organization is required to pay all operating expenses, maintenance costs, repairs, and insurance on the leased facilities. In addition, the Organization rents various equipment used in operations. Rental expense for all leases totaled \$1,202,420 and \$1,252,189 for the years ended December 31, 2020 and 2019, respectively.

Future minimum payments, by year and in the aggregate, under the noncancelable operating leases with initial or remaining terms in excess of one year consist of the following for the years ended December 31, 2020:

2021	\$ 1,115,335
2022	1,040,952
2023	1,027,900
2024	1,024,406
2025	1,019,605
Thereafter	5,443,122
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Total	\$ 10,671,320

Note 11: Retirement Plan

The Organization has a defined contribution pension plan covering substantially all employees who work at least 1,000 hours during the plan year. The plan provides for a discretionary matching contribution by the Organization equal to 100% of the employee's total contribution with the maximum contribution of up to 3% of the employee's total compensation in 2020 and up to 4% of the employee's total compensation in 2019. Pension expense totaled \$285,190 and \$352,098 for the years ended December 31, 2020 and 2019, respectively.

The Organization has a deferred compensation plan available for its officers and may make discretionary matching contributions to the plan. There was no matching contribution made for the years ended December 31, 2020 and 2019.

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 12: Self-Funded Health Insurance

The Organization sponsors self-funded health insurance covering certain employees and their dependents. The health insurance expense is based upon actual claims paid, administration fees, and provisions for unpaid and unreported claims at year-end. Employer-paid health insurance expense was approximately \$3 million and \$3.5 million for the years ended December 31, 2020 and 2019, respectively.

The Organization's exposure is limited with a stop-loss insurance policy for claims in excess of \$100,000 per insured and 125% of expected claims in the aggregate (aggregate exposure of \$5.6 million in 2020). As of December 31, 2020 and 2019, the obligation for self-funded insurance claims incurred, but not reported was \$447,885 and \$500,364, respectively, and is recorded in other liabilities on the consolidated statements of financial position.

Note 13: 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 institution.

Accounts receivable consist of amounts due from customers or governmental agencies for services provided. The majority of the Organization's accounts receivable is related to business activity 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 amounts insured by the FDIC. Management believes these financial institutions have strong credit ratings, and credit risk related to these deposits is minimal.

Note 14: Donated Services

A number of unpaid volunteers have made significant contributions of their time to the operations of the Organization. The value of these donated services and time is not recognized in the accompanying financial statements because they do not meet the criteria for recognition and no objective basis is available to measure the value of such services. However, a number of volunteers have donated significant amounts of their time in the Organization's program services and in its fund-raising campaigns.

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 15: Fair Value Measurements

Following is a description of the valuation methodologies used for assets measured at fair value:

- Cash equivalents are measured at cost, which approximates fair value.
- Equity funds are valued at quoted market prices.
- Fixed income funds are valued using quotes from pricing vendors based on recent trading activity and other observable market data.
- 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.

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

As of December 31, 2020	Total Assets at Fair Value	Recurring Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Deferred compensation:				
Cash and cash equivalents	\$ 266,477	\$ -	\$ 266,477	\$ -
Equity mutual funds:				
Growth funds	142,588	142,588	-	-
Large blend funds	406,121	406,121	-	-
Value funds	175,322	175,322	-	-
Fixed income:				
Bond funds	266,215	266,215	-	-
Conservative allocation funds	43,198	43,198	-	-
<hr/>				
Subtotal deferred compensation	1,299,921	1,033,444	266,477	-
Interest in Community Foundations	1,457,326	-	-	1,457,326
<hr/>				
Totals	\$ 2,757,247	\$ 1,033,444	\$ 266,477	\$ 1,457,326

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 15: Fair Value Measurements (Continued)

As of December 31, 2019	Total Assets at Fair Value	Recurring Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Deferred compensation:				
Cash and cash equivalents	\$ 309,543	\$ -	\$ 309,543	\$ -
Equity mutual funds:				
Growth funds	291,006	291,006	-	-
Large blend funds	380,816	380,816	-	-
Value funds	161,344	161,344	-	-
Fixed income:				
Bond funds	250,836	250,836	-	-
Conservative allocation funds	66,657	66,657	-	-
Subtotal deferred compensation	1,460,202	1,150,659	309,543	-
Interest in Community Foundations	1,327,474	-	-	1,327,474
Totals	\$ 2,787,676	\$ 1,150,659	\$ 309,543	\$ 1,327,474

There were no liabilities measured on a recurring basis and there were no assets or liabilities measured on a nonrecurring basis during 2020 or 2019. During 2020 and 2019, \$0 and \$10,717 of contributions were made to the interest in community foundations.

Note 16: Subsequent Events

The Organization has evaluated subsequent events through April 20, 2021, which is the date the financial statements were available to be issued.

Goodwill NCW applied for and was funded for a loan under the Paycheck Protection Program (PPP) funded by the Small Business Administration (SBA) totaling \$6,400,000 effective April 20, 2021. If certain criteria are met, Goodwill NCW can apply for forgiveness of the outstanding amount due. If the loan is not forgiven, amounts due under this note will bear interest at 1% per annum and monthly principal and interest payments will be required starting 10 months after the end of 8 or 24 week covered period. In addition, loans exceeding \$2,000,000 are subject to additional review by the SBA which could impact the amount of forgiveness.

Supplementary Information

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Schedule of Expenditures of Federal Awards

<i>Years Ended December 31, 2020 and 2019</i>	CFDA No.	Federal Expenditures
U.S. Department of Treasury		
Passed through the State of Wisconsin Department of Health Services		
COVID-19 - Coronavirus Relief Funds	21.019	\$ 353,954
Total Federal Expenditures		\$ 353,954

Notes to Schedule of Expenditures of Federal and State Awards

Note 1: General

The accompanying schedule of expenditures of federal and state awards (the "Schedule") includes the federal and state grant activity of Goodwill NCW under programs of the federal and state governments for the year ended December 31, 2020. The information in this schedule is presented in accordance with requirements of the State of Wisconsin Department of Health Services Audit Guide (the "Guide"). Because the schedule presents only a selected portion of the operations of Goodwill NCW, it is not intended to and does not present the financial position, changes in net assets or cash flows of Goodwill NCW.

Note 2: Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Guide wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 3: Indirect Cost Rate

Goodwill NCW has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4: Sub-Recipients

Goodwill NCW does not have any sub-recipients of federal or state awards.

See Independent Auditor's Report.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, 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, the consolidated financial statements of Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated April 20, 2021. The financial statements of Money Management Education Associates and Goodwill Industries Development Corporation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with these entities.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries' internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries' internal control. Accordingly, we do not express an opinion on the effectiveness of Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries' 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. and Subsidiaries' consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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. and Subsidiaries' internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Wipfli LLP

Green Bay, Wisconsin
April 20, 2021

Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

Schedule of Findings and Questioned Costs

Year Ended December 31, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

 Material weakness(es) identified? ___ yes x no

 Significant deficiency(ies) identified? ___ yes x no

Noncompliance material to financial statements noted? ___ yes x no

Section II - Financial Statement Findings

None

Section III – Status of Prior Year Findings

None

Section IV - Other Issues

Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? ___ yes x no

Does the audit report show audit issues (i.e., material noncompliance, nonmaterial noncompliance, questioned costs, material weakness, reportable condition, management letter comment) related to grants/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*:

 Wisconsin Department of Health Services ___ yes x no

Was a management letter or other document conveying audit comments issued as a result of this audit? ___ yes x no

Name and Signature of Partner



Partner, CPA

Report Date

April 20, 2021