

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

Consolidated Financial Statements and  
Supplementary Information

Years Ended December 31, 2023 and 2022



## **Independent Auditor's Report**

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

### ***Report on the Audit of the Financial Statements***

#### ***Opinion***

We have audited the accompanying consolidated financial statements (the "financial statements") of Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries (the "Organization"), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the 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, 2023 and 2022, 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 ("GAAP").

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and for the year ended December 31, 2023, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The financial statements of Goodwill Industries of North Central Wisconsin, Inc.'s subsidiaries were not audited in accordance with *Government Auditing Standards*.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries' ability to continue as a going concern for one year after the date the financial statements are available to be issued.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

### ***Supplementary Information***

Our audits were conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State Single Audit Guidelines, issued by the Wisconsin Department of Administration, are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 12, 2024, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*Wipfli LLP*

Wipfli LLP

Madison, Wisconsin  
April 12, 2024

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

## Consolidated Statements of Financial Position

<i>As of December 31,</i>	2023	2022
Current assets:		
Cash and cash equivalents	\$ 15,804,620	\$ 19,224,627
Accounts receivable customers, net of allowance for credit losses of \$10,717 and \$37,000 for 2023 and 2022, respectively	236,361	277,805
Accounts receivable grants and other	660,686	791,695
Inventories	8,413,903	8,589,090
Prepaid expenses and other	837,773	679,804
<b>Total current assets</b>	<b>25,953,343</b>	<b>29,563,021</b>
<b>Property and equipment - Net</b>	<b>47,797,836</b>	<b>46,042,131</b>
Other assets:		
Right of use asset - operating type	3,779,861	8,267,405
Deferred compensation	1,190,251	1,097,741
Investments	38,500,725	27,758,606
Interest in Community Foundation	1,494,722	1,386,690
Restricted cash	916,651	922,582
<b>Total other assets</b>	<b>45,882,210</b>	<b>39,433,024</b>
<b>Total assets</b>	<b>\$ 119,633,389</b>	<b>\$ 115,038,176</b>

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

## Consolidated Statements of Financial Position (Continued)

<i>As of December 31,</i>	2023	2022
Current liabilities:		
Right of use obligation - operating type - current	\$ 945,236	\$ 983,556
Current maturities of long-term debt	2,022,000	2,022,000
Accounts payable	3,413,992	2,852,299
Accrued and other liabilities:		
Payroll and related	1,844,528	1,574,028
Other accruals	1,234,513	1,824,135
<b>Total current liabilities</b>	<b>9,460,269</b>	<b>9,256,018</b>
Long-term liabilities:		
Right of use obligation - operating type - long-term	2,872,754	7,306,769
Long-term debt - Net	10,002,620	12,006,723
Deferred compensation	1,190,251	1,097,741
<b>Total long-term liabilities</b>	<b>14,065,625</b>	<b>20,411,233</b>
<b>Total liabilities</b>	<b>23,525,894</b>	<b>29,667,251</b>
Net assets:		
Without donor restrictions	95,349,482	84,501,636
With donor restrictions:		
Perpetual in nature	231,748	231,748
Time-restricted for future periods	526,265	637,541
<b>Net assets with donor restrictions</b>	<b>758,013</b>	<b>869,289</b>
<b>Total net assets</b>	<b>96,107,495</b>	<b>85,370,925</b>
<b>Total liabilities and net assets</b>	<b>\$ 119,633,389</b>	<b>\$ 115,038,176</b>

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, 2023</i>	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:			
Public support:			
Government and other grants	\$ 1,739,926	\$ 0	\$ 1,739,926
In kind contributions	39,067,911	0	39,067,911
Contributions	1,330,329	51,123	1,381,452
Total public support	42,138,166	51,123	42,189,289
Revenue:			
Retail training center operations	63,402,542	0	63,402,542
Mission programming services	2,377,853	0	2,377,853
Rental income	336,567	0	336,567
Miscellaneous revenue	178,729	0	178,729
Total revenue	66,295,691	0	66,295,691
Net assets released from donor restrictions	181,956	(181,956)	0
Total public support and revenue	108,615,813	(130,833)	108,484,980
Expenses:			
Program services	98,021,856	0	98,021,856
Management and general	4,939,923	0	4,939,923
Fund-raising	158,797	0	158,797
Total expenses	103,120,576	0	103,120,576
Excess (deficiency) of public support and revenue over expenses	5,495,237	(130,833)	5,364,404
Other nonoperating activities:			
Realized investment loss	(26,449)	0	(26,449)
Unrealized investment gain, net of investment fees	3,732,069	0	3,732,069
Interest, dividends, and accrued income	1,573,477	0	1,573,477
Change in interest in Community Foundations	88,475	19,557	108,032
Loss on disposal of property and equipment	(14,963)	0	(14,963)
Total other nonoperating activities	5,352,609	19,557	5,372,166
Changes in net assets	10,847,846	(111,276)	10,736,570
Net assets at beginning	84,501,636	869,289	85,370,925
Net assets at end	\$ 95,349,482	\$ 758,013	\$ 96,107,495

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

## Consolidated Statements of Activities (Continued)

<i>Year Ended December 31, 2022</i>	Without Donor Restrictions	With Donor Restrictions	Total
<b>Public support and revenue:</b>			
Public support:			
Government and other grants	\$ 7,132,879	\$ 0	\$ 7,132,879
In kind contributions	36,609,878	0	36,609,878
Contributions	372,358	672,175	1,044,533
<b>Total public support</b>	<b>44,115,115</b>	<b>672,175</b>	<b>44,787,290</b>
<b>Revenue:</b>			
Retail training center operations	62,436,884	0	62,436,884
Mission programming services	2,021,922	0	2,021,922
Rental income	267,604	0	267,604
Miscellaneous revenue	174,516	0	174,516
<b>Total revenue</b>	<b>64,900,926</b>	<b>0</b>	<b>64,900,926</b>
<b>Net assets released from donor restrictions</b>	<b>356,224</b>	<b>(356,224)</b>	<b>0</b>
<b>Total public support and revenue</b>	<b>109,372,265</b>	<b>315,951</b>	<b>109,688,216</b>
<b>Expenses:</b>			
Program services	88,709,495	0	88,709,495
Management and general	4,546,329	0	4,546,329
Fund-raising	54,823	0	54,823
<b>Total expenses</b>	<b>93,310,647</b>	<b>0</b>	<b>93,310,647</b>
<b>Excess (deficiency) of public support and revenue over expenses</b>	<b>16,061,618</b>	<b>315,951</b>	<b>16,377,569</b>
<b>Other nonoperating activities:</b>			
Realized investment loss	(1,196,614)	0	(1,196,614)
Unrealized investment loss, net of investment fees	(4,302,931)	0	(4,302,931)
Interest, dividends and accrued income	737,593	0	737,593
Change in interest in Community Foundations	(196,934)	(76,689)	(273,623)
Loss on disposal of property and equipment	(735)	0	(735)
<b>Total other nonoperating activities</b>	<b>(4,959,621)</b>	<b>(76,689)</b>	<b>(5,036,310)</b>
<b>Changes in net assets</b>	<b>11,101,997</b>	<b>239,262</b>	<b>11,341,259</b>
Net assets at beginning, prior to prospective effect of change in accounting estimate	83,512,109	630,027	84,142,136
Prospective effect of change in accounting estimate	(10,112,470)	0	(10,112,470)
Net assets at beginning, after prospective effect of change in accounting estimate	73,399,639	630,027	74,029,666
<b>Net assets at end</b>	<b>\$ 84,501,636</b>	<b>\$ 869,289</b>	<b>\$ 85,370,925</b>

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, 2023</i>	Retail Training Centers	Other Mission Programming	Fund-raising	Management and General	Total
<b>Expenses:</b>					
Salaries	\$ 25,332,645	\$ 4,464,580	\$ 28,528	\$ 2,484,902	\$ 32,310,655
Payroll taxes and benefits	6,938,124	1,207,441	7,218	688,572	8,841,355
Cost of sales	42,417,049	0	0	0	42,417,049
Professional fees and contracted services	1,965,047	1,367,777	39,620	457,150	3,829,594
Supplies and equipment repair	2,408,420	93,649	29,098	241,521	2,772,688
Software	912,678	273,561	0	121,783	1,308,022
Occupancy	5,148,999	71,089	422	227,314	5,447,824
Services	146,672	25,774	0	39,506	211,952
Advertising	599,695	20,621	0	6,455	626,771
Transportation and travel	976,988	185,564	33,202	127,640	1,323,394
Community support	5,688	810,506	0	0	816,194
Other expense	337,829	106,625	20,709	88,844	554,007
Depreciation	2,147,091	57,744	0	456,236	2,661,071
<b>Totals</b>	<b>\$ 89,336,925</b>	<b>\$ 8,684,931</b>	<b>\$ 158,797</b>	<b>\$ 4,939,923</b>	<b>\$ 103,120,576</b>

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

## Consolidated Statements of Functional Expenses (Continued)

<i>Year Ended December 31, 2022</i>	Retail Training Centers	Other Mission Programming	Fund-raising	Management and General	Total
<b>Expenses:</b>					
Salaries	\$ 23,473,510	\$ 3,383,364	\$ 0	\$ 2,439,393	\$ 29,296,267
Payroll taxes and benefits	6,233,968	895,470	7,479	654,622	7,791,539
Cost of sales	39,296,663	0	0	0	39,296,663
Professional fees and contracted services	1,583,124	139,578	497	278,919	2,002,118
Supplies and equipment repair	2,122,110	173,208	8,205	172,968	2,476,491
Software	976,926	108,547	0	120,608	1,206,081
Occupancy	4,998,613	80,789	300	194,030	5,273,732
Services	163,455	32,958	0	42,582	238,995
Advertising	621,648	22,581	0	16,838	661,067
Transportation and travel	924,834	129,340	0	99,227	1,153,401
Community support	5,669	663,642	0	0	669,311
Other expense	293,641	67,031	35,847	80,757	477,276
Depreciation	2,267,757	51,069	2,495	446,385	2,767,706
<b>Totals</b>	<b>\$ 82,961,918</b>	<b>\$ 5,747,577</b>	<b>\$ 54,823</b>	<b>\$ 4,546,329</b>	<b>\$ 93,310,647</b>

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,</i>	2023	2022
Change in cash, restricted cash, and cash equivalents:		
Cash flows from operating activities:		
Change in net assets	\$ 10,736,570	\$ 11,341,259
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	2,661,071	2,767,706
Amortization of debt issuance costs classified as interest expense	17,897	17,897
Non-cash lease expense	1,010,661	989,851
Loss on disposal of property and equipment	14,963	735
Realized and unrealized (gain) loss on investment	(3,705,620)	5,499,545
Bad debt expense (recovery)	1,414	(20,110)
Change in interest in Community Foundations	(108,032)	273,623
Changes in operating assets and liabilities:		
Accounts receivable - net	171,039	61,860
Refundable advance liability	0	(6,400,000)
Inventories	175,187	(963,634)
Prepaid expenses and other	(157,969)	(66,828)
Right of use obligation - operating type	(995,452)	(966,931)
Accounts payable	561,693	105,414
Accrued and other liabilities	(319,122)	(183,246)
Total adjustments	(672,270)	1,115,882
Net cash flows from operating activities	10,064,300	12,457,141

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

## Consolidated Statements of Cash Flows (Continued)

<i>Years Ended December 31,</i>	2023	2022
<b>Cash flows from investing activities:</b>		
Capital expenditures for property and equipment	(4,436,639)	(1,709,785)
Proceeds from sale of property and equipment	4,900	0
Investment purchases and reinvestment	(7,036,499)	(606,152)
<b>Net cash flows from investing activities</b>	<b>(11,468,238)</b>	<b>(2,315,937)</b>
<b>Cash flows from financing activities</b>		
Principal payments on long-term debt	(2,022,000)	(2,022,000)
<b>Change in cash, restricted cash, and cash equivalents</b>	<b>(3,425,938)</b>	<b>8,119,204</b>
Cash, restricted cash, and cash equivalents at beginning of year	20,147,209	12,028,005
<b>Cash, restricted cash, and cash equivalents at end of year</b>	<b>\$ 16,721,271</b>	<b>\$ 20,147,209</b>
<b>Supplemental cash flow information:</b>		
Cash paid for interest	\$ 285,790	\$ 329,435
<b>Other information:</b>		
Operating type lease payments	\$ 1,073,366	\$ 1,113,185
<b>Noncash financing and investing activities:</b>		
Change in assets held on behalf of employees in the deferred compensation plan	\$ 92,510	\$ (238,587)
<b>Reconciliation of cash, restricted cash, and cash equivalents:</b>		
Cash and cash equivalents	\$ 15,804,620	\$ 19,224,627
Restricted cash	916,651	922,582
<b>Total cash, restricted cash, and cash equivalents</b>	<b>\$ 16,721,271</b>	<b>\$ 20,147,209</b>

See accompanying notes to 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

#### Organization Activity

Goodwill Industries of North Central Wisconsin, Inc. and its subsidiaries (collectively, Goodwill NCW) is a nonprofit organization with a mission of “Elevating People by Eliminating Barriers to Employment.” Goodwill NCW provides pathways for people who are underserved, underrepresented and/or disadvantaged who have a goal of building job skills that lead to sustained employment and improved financial stability.

The consolidated financial statements (the "financial statements") include the accounts of Goodwill Industries of North Central Wisconsin, Inc. ("Goodwill"), Money Management Education Associates (MMEA), Goodwill Industries Development Corporation (GIDC), and NCW Landholdings LLC (NCW LLC).

Goodwill is a nonprofit Wisconsin corporation. Its mission is elevating people by eliminating barriers to employment. This is one of more than 150 independently governed Goodwill organizations in the world.

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.

GIDC is a nonprofit Wisconsin corporation organized to hold title to real estate to further the mission of Goodwill NCW.

NCW LLC exists to hold title to real estate to further the work done by the Goodwill NCW.

#### Basis of Consolidation

Goodwill, MMEA, and GIDC have common board members and management and NCW LLC is a single member LLC of which Goodwill is the sole member and all organizations listed here 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 Goodwill NCW.

#### Basis of Presentation

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

#### Use of Estimates

The preparation of the accompanying 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.

# 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)

#### 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, 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.

#### Restricted Cash

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

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

## Notes to Consolidated Financial Statements

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

#### Accounts Receivable

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 financial statements.

Beginning January 1, 2023, the carrying amount of accounts receivable is reduced by an allowance that reflects management's best estimate of the current expected credit losses. The estimate of the allowance for credit losses is based on an analysis of historical loss experience, current receivables aging, and management's assessment of current conditions and expected changes during a reasonable and supportable forecast period. The Organization uses an aging method to estimate allowances for credit losses. Management assesses collectability by pooling receivables with similar risk characteristics and evaluates receivables individually when specific customer balances no longer share those risk characteristics. The allowance for credit losses was \$10,717 and \$37,000 at December 31, 2023 and 2022. Credit write-offs totaled \$1,414 in 2023. Credit recoveries totaled \$20,110 during 2022.

Prior to 2023, the carrying amount of accounts receivable were reduced by an allowance that reflected management's best estimate of the amounts that would not be collected. Management individually reviewed all accounts receivable balances that exceeded 30 days from invoice date and, based on an assessment of current creditworthiness, estimated the portion, if any, of the balance that would not be collected. The Organization had an allowance for doubtful accounts balance of \$37,000 at December 31, 2022.

#### Inventories

Goodwill NCW receives a substantial amount of donated goods during the year. It is not practical to determine the fair value of goods donated during the course of the year. Instead, Goodwill NCW applies an estimation methodology depending on whether the inventory is still held in the warehouse/stockroom or has been prepared for sale and placed on the sales floor. A description of the current estimation methodology is as follows:

# 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)

#### Inventories (Continued)

##### Inventory Held in Warehouse/Stockroom

Donated inventory in warehouse and stockrooms is valued using an average sales value reduced by an estimated cost of sales.

##### Inventory Located on the Sales Floor

Donated inventory located on the sales floor is valued by using an average sales value reduced by an estimate cost of sales along with an inventory turn.

Approximately 92% and 91% of inventories were composed of donated goods at December 31, 2023 and 2022, respectively.

Goodwill NCW also purchases new goods and other supplies needed for retail operations which are valued at the lower of cost or net realizable value.

#### Beneficial Interest in Assets Held by Community Foundation

The Organization has placed funds with various Community Foundations. The fund agreements clearly specify that these funds are to benefit the Organization and as such, GAAP requires those assets to continue to be reported on the Organization's financial statements, but to also be reported as an agency fund liability on the financial statements of the Community Foundations. The Organization has granted variance power to the Community Foundations as required by the fund agreements. This variance power essentially allows the Community Foundation's Board of Directors to override any conditions or restrictions that might be placed on the funds if Community Foundation feel such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community, however unlikely. The fair value of funds held by Community Foundations is reported 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.



# 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)

#### Impairment of Long-Lived Assets

The Organization reviews long-lived assets, including property and equipment and intangible assets if any, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset and its fair value are less than the carrying amount of that asset. The Organization has not recognized any impairment of long lived assets during 2023 and 2022.

#### Leases

The Organization is a lessee in multiple, noncancelable operating leases. If the contract provides the Organization the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Right of Use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The ROU assets are also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred. Subsequent to the lease commencement date, ROU assets are adjusted based on changes in the ROU liability and any impairment considerations. ROU assets for finance leases and operating leases with payments that fluctuate over the lease term are amortized on a straight-line basis.

Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

The discount rate used is the implicit rate in the lease contract, if it is readily determinable, or the Organization's incremental borrowing rate. The Organizations' incremental borrowing rate is based on the information available at the commencement date for all leases.

The Organization has elected to use a risk-free rate for a term similar to the underlying lease's remaining lease term as the discount rate if the implicit rate in the lease contract is not readily determinable.

For all underlying classes of assets, the Organization has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are deemed short-term leases with lease costs included in short-term lease expense. The Organization recognizes short-term lease cost on a straight-line basis over the lease term.

The Organization made an accounting policy election for equipment leases to not separate the lease components of a contract and its associated non-lease components. For all other underlying classes of leases, the Organization separate lease and nonlease components to determine the lease payment.

# 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 financial statements include an asset and corresponding liability associated with this plan.

#### Investments

The Organization's investments, including funds in the deferred compensation plan, are invested in marketable securities with readily determinable fair values and debt securities at their fair values in the consolidated statements of financial position. Quoted market prices in active markets are used as the basis of measurement. Unrealized gains and losses result from changes in the fair value of the investments based on market activity and are included in the accompanying consolidated statements of activities, net of investment expenses if applicable. Realized gains and losses result in the sales price of investments being higher or lower than the original cost, and are recorded based on specific identification of the liquidated investment.

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. See Note 5 for further information.

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.

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

## Notes to Consolidated Financial Statements

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

#### Debt Issuance Costs

Long-term debt is presented net of debt issuance costs on the consolidated statements of financial position and the amortization of debt issuance costs is presented as interest expense on the consolidated statements of activities. 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, which approximates the effective method. See Note 10 for more information.

#### Revenue Recognition

##### Retail Training Center Operations

Retail training center operations revenue streams include retail, outlet, e-Commerce and post retail sales. Revenue for all streams are reported at the amount that reflects the consideration to which Goodwill NCW expects to be entitled in exchange for providing goods to the customer. The control of goods sold is transferred to the customer at the point of sale for retail and outlet and at time of shipment for e-Commerce and post retail sales customers.

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 training centers and outlet stores and 30 days for e-Commerce). Retail allows for in-store credit and e-Commerce allows for a return of funds.
- Goodwill NCW provides a customer loyalty program 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.

# 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)

#### Revenue Recognition (Continued)

##### Mission Programming Services

In addition to mission integrated retail training centers, Goodwill NCW offers various mission programming services to individuals with barriers in the community. These services are provided to individuals in exchange for fees, primarily from managed care organizations, self-directed managed care options, other organizations under third-party reimbursement arrangements, or from families under private pay arrangements.

The Organization 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 other contracts as Goodwill NCW is not entitled to bill or collect revenue 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, bankruptcy, debt, student loan, and housing counseling services. Goodwill NCW enters into contracts with individuals using standard rates and revenue is recognized at the time the service is provided.

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 by federal agency standard rates per month. Revenue is recognized at the end of each month for services based on the monthly fee as the performance obligation is satisfied.

Goodwill NCW performs light assembly jobs for other organizations in the community to provide skill building for individuals with barriers. Revenue is reported at the amount that reflects consideration to which Goodwill NCW expects to be entitled in exchange for providing the services to the customer. Revenue is recognized at the time that the performance obligation is satisfied, which occurs as the service is performed over time

#### **In-Kind Contributions**

The Organization has recorded in-kind contributions for donated inventory in the statements of activities in accordance with financial accounting standards which requires only contributions of services received that create or enhance a nonfinancial asset or require specialized skill by the individual possessing those skills and would typically need to be purchased if not provided by donation be recorded. Donated inventory that has been converted into sales is recorded as revenue based on an estimate of net donated goods sales revenue reduced by estimated cost of sales. Donated inventory that is waiting to be sold is valued based on the policy described in the "Inventories" policy.

# 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)

#### Contribution Revenue

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received. Contributions may also contain donor restrictions and are recognized when received if they are unconditional. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. If a donor restriction is met in the year the contribution was made, it is reported as a contribution without donor restrictions.

#### 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. The Organization does not have any grants that are considered exchange transactions.

#### 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 the Organization's operations are charged to the program or activity. Other costs are attributable to more than one support function and therefore require an allocation between program services and general management on a reasonable basis that is consistently applied. Software and some other expenses are based on headcount and some occupancy costs are allocated based on square footage.

#### Advertising

Advertising costs are expensed to operations when incurred.

# 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)

#### Income Taxes

Goodwill, MMEA, and GIDC are 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. NCW LLC is considered a disregarded entity for tax purposes. The activities of NCW LLC are included in the IRS Form 990 for Goodwill NCW.

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.

#### Change in Accounting Principles

Accounting Standards Update (ASU) No. 2016-13, *Measurement of Credit Losses on Financial Instruments*, requires the Organization to present financial assets measured at amortized cost (including trade receivables) at the net amount expected to be collected over their remaining contractual lives. Estimated credit losses are based on relevant information about historical experience, current conditions, and reasonable and supportable forecasts that affect the collectibility of the reported amounts.

The Organization adopted ASU No. 2016-13 on January 1, 2023. The net impact to net assets would have been immaterial, thus no cumulative effect adjustment was made to net assets upon adoption of this standard. Results for the year ended December 31, 2023, are presented under Accounting Standards Codification (ASC) 326 while prior period amounts continue to be reported in accordance with previously applicable accounting standards generally accepted in the United States (US GAAP). See the Accounts Receivable Policy for changes to accounting policies.

#### Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through April 12, 2024, which is the date the financial statements were available to be issued.

# 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

Accounts receivable balances at December 31, included the following:

	2023	2022	2021
Accounts receivable from contracts with customers	\$ 247,078	\$ 314,805	\$ 336,594
Less - Allowance for doubtful accounts	10,717	37,000	62,000
Accounts receivable from contracts with customers - net	\$ 236,361	\$ 277,805	\$ 274,594

The Organization did not have any contract assets as of December 31, 2023, 2022, or 2021.

Beginning and ending balances as well as the annual activity in contract liabilities during the years ended December 31, were as follows:

	2023	2022
Contract liabilities beginning of year	\$ 273,048	\$ 299,123
Change in contract liability	(4,068)	(26,075)
Contract liabilities end of year	\$ 268,980	\$ 273,048

The change in contract liabilities is a factor of the usage of Good Points, a customer loyalty program, 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:

	2023	2022
Retail training center revenues recognized point in time	\$ 63,402,542	\$ 62,436,884
Mission programming services recognized over time	1,773,882	1,521,169
Mission programming services recognized point in time	603,971	500,753
Total revenue from contracts with customers	\$ 65,780,395	\$ 64,458,806

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

## Notes to Consolidated Financial Statements

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

Retail training center operations revenue 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 and post retail 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. Mission programming services recognized at a point in time reflect the fact that the Organization cannot reasonably expect to collect payment until the service is completed. Missing programming services 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 no major customers during 2023 and 2022.

### 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:

	2023	2022
Cash and cash equivalents	\$ 15,804,620	\$ 19,224,627
Accounts receivable	897,047	1,069,500
Investments	38,500,725	27,758,606
Subtotal liquid financial resources	55,202,392	48,052,733
Less:		
Contributions from donor with purpose restrictions	(185,000)	(356,956)
Contributions from donor with time restrictions	(251,501)	(210,378)
Net financial resources available for general expenditures	\$ 54,765,891	\$ 47,485,399

The Organization regularly monitors the availability of resources required to meet its operating, debt service (see Note 10), and capital needs. The Organization also has a line of credit available to meet short-term needs (see Note 9 for more information).



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

## Notes to Consolidated Financial Statements

### Note 4: Beneficial Interest in Assets Held by Community Foundation

As of December 31, 2023 and 2022, funds with a fair value totaling \$1,494,722 and \$1,386,690, respectively, are being held for the use and future benefit of Goodwill NCW at 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 \$108,032 in 2023 and a decrease of \$(273,623) in 2022 in interest in Community Foundations.

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: Investments

Goodwill NCW has established an investment portfolio to support the mission of "elevating people by eliminating barriers to employment". The additional investment objectives are to fund strategic investments and provide long-term growth to support the mission while maintaining a diversified portfolio that seeks to reduce significant risk of loss.

Investments, stated at fair value, consisted of the following at December 31:

	2023	2022
Money market	\$ 5,553,683	\$ 1,295,081
Mutual funds	5,280,518	3,216,930
Fixed income securities	4,354,382	3,752,841
Equity securities	23,312,142	19,493,754
<b>Total</b>	<b>\$ 38,500,725</b>	<b>\$ 27,758,606</b>

Assets invested as part of the deferred compensation plan consisted of the following at December 31:

	2023	2022
Cash equivalents	\$ 145,080	\$ 181,793
Mutual funds	806,185	673,352
Fixed income securities	238,986	242,596
<b>Totals</b>	<b>\$ 1,190,251</b>	<b>\$ 1,097,741</b>

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

## Notes to Consolidated Financial Statements

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### 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 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.

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.

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

## Notes to Consolidated Financial Statements

### Note 6: Endowment Funds (Continued)

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, 2022	\$ 146,896	\$ 231,748	\$ 378,644
Net depreciation	(76,689)	0	(76,689)
Endowment at December 31, 2022	70,207	231,748	301,955
Net appreciation	19,557	0	19,557
Endowment at December 31, 2023	\$ 89,764	\$ 231,748	\$ 321,512

There were no endowments that were without donor restrictions as of December 31, 2023 and 2022.

### Note 7: Fair Value Measurements

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

- Money market and other cash equivalents are measured at cost, which approximates fair value.
- Equity securities and mutual funds are valued at quoted market prices.
- Fixed income securities 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.

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

## Notes to Consolidated Financial Statements

### Note 7: Fair Value Measurements (Continued)

Information regarding assets at fair value on a recurring basis is as follows:

As of December 31, 2023	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:				
Investments:				
Money market	\$ 5,553,683	\$ 0	\$ 5,553,683	\$ 0
Equity securities	23,312,142	23,312,142	0	0
Fixed income securities	4,354,382	0	4,354,382	0
Mutual funds	5,280,518	5,280,518	0	0
Subtotal investments	38,500,725	28,592,660	9,908,065	0
Deferred compensation:				
Cash and cash equivalents	145,080	0	145,080	0
Total equity mutual funds	806,185	806,185	0	0
Total fixed income funds	238,986	238,986	0	0
Subtotal deferred compensation	1,190,251	1,045,171	145,080	0
Interest in Community Foundations	1,494,722	0	0	1,494,722
<b>Totals</b>	<b>\$ 41,185,698</b>	<b>\$ 29,637,831</b>	<b>\$ 10,053,145</b>	<b>\$ 1,494,722</b>

There were no liabilities measured on a recurring basis and there were no assets or liabilities measured on a nonrecurring basis during 2023 or 2022. There were no contributions made to the interest in the Community Foundations in 2023 and 2022.

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

## Notes to Consolidated Financial Statements

### Note 7: Fair Value Measurements (Continued)

Information regarding assets at fair value on a recurring basis is as follows:

As of December 31, 2022	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:				
Investments:				
Money market	\$ 1,295,081	\$ 0	\$ 1,295,081	\$ 0
Equity securities	19,493,754	19,493,754	0	0
Fixed income securities	3,752,841	0	3,752,841	0
Mutual funds	3,216,930	3,216,930	0	0
<b>Subtotal investments</b>	<b>27,758,606</b>	<b>22,710,684</b>	<b>5,047,922</b>	<b>0</b>
Deferred compensation:				
Cash and cash equivalents	181,793	0	181,793	0
Total equity mutual funds	673,352	673,352	0	0
Total fixed income funds	242,596	242,596	0	0
<b>Subtotal deferred compensation</b>	<b>1,097,741</b>	<b>915,948</b>	<b>181,793</b>	<b>0</b>
Interest in Community Foundations	1,386,690	0	0	1,386,690
<b>Totals</b>	<b>\$ 30,243,037</b>	<b>\$ 23,626,632</b>	<b>\$ 5,229,715</b>	<b>\$ 1,386,690</b>

### Note 8: Property and Equipment

A summary of property and equipment is as follows as of December 31, 2023 and 2022:

	2023	2022
Land and land improvements	\$ 21,906,430	\$ 19,931,890
Buildings and improvements	51,587,218	51,092,925
Furniture and equipment	17,541,055	18,495,660
Construction in progress	445,302	116,704
<b>Total property and equipment</b>	<b>91,480,005</b>	<b>89,637,179</b>
Less - accumulated depreciation	43,682,169	43,595,048
<b>Totals</b>	<b>\$ 47,797,836</b>	<b>\$ 46,042,131</b>

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

## Notes to Consolidated Financial Statements

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### Note 8: Property and Equipment (Continued)

Construction in progress as of December 31, 2023 and 2022, consists of costs for remodeling and updating of equipment and current locations.

### Note 9: Line of Credit

The Organization maintains a line of credit in the amount of \$5,000,000 with interest at daily Secured Overnight Financing Rate (SOFR) plus 1.60%. The effective rate at December 31, 2023, was 6.98%. The line of credit matures July 2024. There were no draws on the line of credit as of December 31, 2023 and 2022.

### Note 10: Note Payable

The Organization has the following note payable as of December 31, 2023 and 2022:

	2023	2022
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.	\$ 12,132,000	\$ 14,154,000
Less - Current maturities	2,022,000	2,022,000
Long-term portion	10,110,000	12,132,000
Less - Debt issuance costs - Net	107,380	125,277
Long-term portion - Net	\$ 10,002,620	\$ 12,006,723

Net deferred financing costs were \$107,380 and \$125,277 as of December 31, 2023 and 2022, respectively, with accumulated amortization of \$71,589 and \$53,692, respectively. Amortization expense classified as interest expense was \$17,897 during 2023 and 2022.

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 10: Note Payable (Continued)

Scheduled principal payments on long-term debt at December 31, 2023, including current maturities, are summarized as follows:

2024	\$	2,022,000
2025		2,022,000
2026		2,022,000
2027		2,022,000
2028		2,022,000
Thereafter		2,022,000
<hr/>		
Total	\$	12,132,000

### Note 11: Net Assets with Donor Restrictions

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

	2023	2022
Contributions - Time restricted	\$ 251,501	\$ 210,378
Contributions - Restricted for purpose - mission programming	185,000	356,956
Accumulated investment earnings - Time restricted	89,764	70,207
Donor-restricted endowment - Perpetual in nature	231,748	231,748
<hr/>		
Totals	\$ 758,013	\$ 869,289

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:

	2023	2022
Contributions utilized in the time period for which they were restricted	\$ 181,956	\$ 356,224

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

## Notes to Consolidated Financial Statements

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### Note 12: Leases

The Organization leases warehouse space, attended donation express, and equipment, which are accounted for under Financial Accounting Standards Board (FASB) ASC Topic 842. The majority of leases entered into include one or more options to renew. The renewal terms can extend the lease term from one to five years. The exercise of lease renewal options is at the sole discretion of the Organization. Renewal option periods are included in the measurement of the ROU assets and lease liabilities when the exercise is reasonably certain to occur. The depreciable life of assets is limited by the expected lease term, unless there is a transfer of title or purchase, option reasonably certain of exercise.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Payments due under the lease contracts include fixed payments plus variable payments for some of the Organization's leases. The office space leases require the Organization to make variable payments for its proportionate share of the building's property taxes, insurance, and common area maintenance. These variable lease payments are not included in lease payments used to determine the lease liability and are recognized as variable costs when incurred.

Components of lease expense, which were included in occupancy, repair, and transportation expense on the consolidated statements of functional expenses, were as follows for the year ended December 31:

	<b>2023</b>	<b>2022</b>
Operating lease cost	\$ 1,087,143	\$ 1,136,105
Variable lease cost	13,189	13,188
<b>Total lease cost</b>	<b>\$ 1,100,332</b>	<b>\$ 1,149,293</b>



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

## Notes to Consolidated Financial Statements

### Note 12: Leases (Continued)

Maturities of lease liabilities are as follows at December 31, 2023:

	<b>Operating Leases</b>
2024	\$ 1,040,669
2025	983,231
2026	922,453
2027	813,210
2028	226,472
Total minimum lease payments	3,986,035
Less - Imputed interest	(168,045)
Present value of future minimum lease payments	3,817,990
Less - Current maturities	(945,236)
Long-term obligations under operating lease	\$ 2,872,754

The weighted-average of the remaining lease terms and weighted average discount rates are as follow for the year ended December 31:

	<b>2023</b>	<b>2022</b>
Weighted-average remaining lease-term - Operating-type leases	4.04 yrs	25.84 yrs
Weighted-average discount rate - Operating-type leases	1.60 %	1.76 %

During the year ended December 31, 2023, the Organization exercised its fair market value purchase option for land that was previously leased. This resulted in a decrease in the right of use asset and obligation and weighted-average remaining lease term as of December 31, 2023.

### Note 13: Retirement Plan

The Organization has a defined contribution pension plan covering eligible employees. The plan provides for a discretionary matching contribution by the Organization equal to 100% of the employee's total contribution with the maximum contribution of up to 6% of the employee's total compensation. Pension expense totaled \$809,673 and \$613,566 for the years ended December 31, 2023 and 2022, 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, 2023 and 2022.

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

## Notes to Consolidated Financial Statements

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### Note 14: Self-Funded Health Insurance

The Organization sponsors self-funded health insurance covering 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 \$4.7 million and \$4.1 million for the years ended December 31, 2023 and 2022, respectively.

A third-party administrator has been retained to process all benefit claims. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

The Organization's exposure is limited with a stop-loss insurance policy for claims in excess of \$100,000 per insured and 100% of expected claims in the aggregate (aggregate exposure of \$5.8 million in 2023). As of December 31, 2023 and 2022, the obligation for self-funded insurance claims incurred, but not reported was \$593,236 and \$524,860, respectively, and is recorded in other accruals on the consolidated statements of financial position.

### Note 15: 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 16: Contributed Nonfinancial Assets

Throughout the year the community donates clothing and household items to advance the mission of the Organization. These items are monetized to provide skill building for sustained employment and improved financial stability to individuals with barriers to employment. From time to time an immaterial amount of these donations may be used in operations, instead of being sold.

These donations are reflected as in-kind contribution revenue in the accompanying consolidated statements of activities. Contributions of nonfinancial assets are valued according to the policy described in Note 1. These valuation methodologies take into account the fair value of donated items.

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

## Notes to Consolidated Financial Statements

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### Note 17: Other Taxes Paid

While Goodwill, MMEA, and GIDC are nonprofit organizations exempt from federal and state income tax; taxes are paid to cover sales tax, payroll taxes, and payments in lieu of taxes (PILOT). Sales tax collected from customers and remitted to the state is netted against revenues in the consolidated statements of activities. Payments of \$5.4 million and \$5.2 million were made in 2023 and 2022 to cover these taxes.

## **Supplementary Information**

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

## Schedule of Expenditures of Federal and State Awards

Federal/State Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing (AL)/State Number	Pass-Through Entity Identifying Number	Federal Expenditures	Subrecipient Awards
Federal Expenditures				
Department of the Treasury				
Passed Through the Wisconsin Department of Administration				
COVID-19 - Coronavirus State and Local Fiscal Recovery Fund				
June 20, 2022 - June 30, 2025	21.027	SLFRP0135	\$ 1,443,449	\$ 1,269,154
Direct funding				
Volunteer Income Tax Assistance (VITA) Matching Grant Program				
	21.009	23VITA0103	46,897	0
<b>Total for Department of the Treasury</b>			<b>1,490,346</b>	<b>1,269,154</b>
<b>Total Federal Expenditures</b>			<b>\$ 1,490,346</b>	<b>1,269,154</b>

See Independent Auditor's Report.

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

## Notes to Schedule of Expenditures of Federal and State Awards

Year Ended December 31, 2023

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### 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, 2023. The information in this schedule is presented in accordance with requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") 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 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 Uniform Guidance 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.

## **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 of America 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, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries's basic financial statements, and have issued our report thereon dated April 12, 2024. The financial statements of Goodwill Industries of North Central Wisconsin, Inc.'s subsidiaries were not audited in accordance with *Government Auditing Standards*. Accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance for the subsidiaries.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Goodwill Industries of North Central Wisconsin, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Goodwill Industries of North Central Wisconsin, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Goodwill Industries of North Central Wisconsin, Inc.'s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies in internal control, such that there is reasonable possibility that a material misstatement of Goodwill Industries of North Central Wisconsin, Inc.'s financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or 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 or significant deficiencies may exist that were not identified.

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Goodwill Industries of North Central Wisconsin, Inc.'s 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.'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, flowing style.

Wipfli LLP

Madison, Wisconsin  
April 12, 2024



## **Independent Auditor's Report on Compliance for the Major Federal and State Program and on Internal Control Over Compliance Required by the Uniform Guidance and the State Single Audit Guidelines**

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

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

#### ***Opinion on the Major Federal and State Program***

We have audited Goodwill Industries of North Central Wisconsin, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the *State Single Audit Guidelines* that could have a direct and material effect on its major federal and state program for the year ended December 31, 2023. Goodwill Industries of North Central Wisconsin, Inc.'s major federal and state program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 its major federal and state program for the year ended December 31, 2023.

#### ***Basis for Opinion on the Major Federal and State Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State Single Audit Guidelines*, issued by the Wisconsin Department of Administration. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Goodwill Industries of North Central Wisconsin, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state programs. Our audit does not provide a legal determination of Goodwill Industries of North Central Wisconsin, Inc.'s compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Goodwill Industries of North Central Wisconsin, Inc.'s federal and state program.

### ***Auditor's Responsibility for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Goodwill Industries of North Central Wisconsin, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the *State Single Audit Guidelines* and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Goodwill Industries of North Central Wisconsin, Inc.'s compliance with the requirements of the major federal and state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, *State Single Audit Guidelines*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Goodwill Industries of North Central Wisconsin, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Goodwill Industries of North Central Wisconsin, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Goodwill Industries of North Central Wisconsin, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## ***Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance 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 the Uniform Guidance and the *State Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.



Wipfli LLP

Madison, Wisconsin  
April 12, 2024

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

## Schedule of Findings and Questioned Costs

Year Ended December 31, 2023

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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(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

#### Federal and State Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	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 the Uniform Guidance [2 CFR 200.516(a)]?	No

Identification of major federal and state program:

<u>AL Number</u>	<u>Name of Federal Program or Cluster</u>
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Fund

Dollar threshold used to distinguish between Type A and Type B programs:

Federal	\$750,000
State	\$250,000

Auditee qualified as low-risk auditee?	No, because the Organization was not subject to the Uniform Guidance audit requirements in the prior two years.
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# Goodwill Industries of North Central Wisconsin, Inc. and Subsidiaries

## Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2023

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### Section II - Financial Statement Findings

None

### Section III – Federal Award Findings and Questioned Costs

None

### Section IV – State Award Findings and Questioned Costs

None

### Section V - 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?

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 Administration

No

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

No

Name and Signature of Partner



Mike Webber, CPA

Report Date

April 12, 2024