

Goodwill of Western Missouri and Eastern Kansas

Independent Auditor's Report and Consolidated Financial Statements

December 31, 2015 and 2014

Goodwill of Western Missouri and Eastern Kansas

December 31, 2015 and 2014

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Independent Auditor's Report

Board of Directors
Goodwill of Western Missouri and Eastern Kansas
Kansas City, Missouri

We have audited the accompanying consolidated financial statements of Goodwill of Western Missouri and Eastern Kansas and The Helping Hand of Goodwill Industries Extended Employment Sheltered Workshop, which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, 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 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 of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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 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 consolidated financial position of Goodwill of Western Missouri and Eastern Kansas and The Helping Hand of Goodwill Industries Extended Employment Sheltered Workshop as of December 31, 2015 and 2014, and the consolidated changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The other information listed in the table of contents including the financial statements of The Helping Hand of Goodwill Industries Extended Employment Sheltered Workshop, which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses and cash flows for the years then ended is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Kansas City, Missouri
March 29, 2016

Goodwill of Western Missouri and Eastern Kansas
Consolidated Statements of Financial Position
December 31, 2015 and 2014

Assets

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 3,684,745	\$ 2,903,468
Accounts receivable, net of allowance; 2015 - \$14,562 2014 - \$119,805	926,334	1,054,236
Investments	50,000	50,000
Inventories	1,611,978	1,681,263
Prepaid supplies and expenses	367,228	233,809
Deposits	196,486	185,783
Property and equipment, net of accumulated depreciation; 2015 - \$4,078,896, 2014 - \$4,315,517	<u>2,396,890</u>	<u>2,039,077</u>
Total assets	<u>\$ 9,233,661</u>	<u>\$ 8,147,636</u>

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 511,375	\$ 497,066
Accrued expenses	1,351,876	1,170,931
Deferred revenue	43,189	36,533
Accrued lease obligation	615,503	695,466
Long-term debt	<u>565,495</u>	<u>830,362</u>
Total liabilities	<u>3,087,438</u>	<u>3,230,358</u>

Net Assets

Unrestricted	6,141,801	4,915,189
Temporarily restricted	<u>4,422</u>	<u>2,089</u>
Total net assets	<u>6,146,223</u>	<u>4,917,278</u>
Total liabilities and net assets	<u>\$ 9,233,661</u>	<u>\$ 8,147,636</u>

Goodwill of Western Missouri and Eastern Kansas
Consolidated Statements of Activities
Years Ended December 31, 2015 and 2014

	2015	2014
Unrestricted Net Assets		
Revenues, gains and other support		
Sales to the public	\$ 20,150,600	\$ 21,095,789
Industrial and janitorial services	4,086,158	4,019,975
Contributions	1,021,946	224,111
Governmental agencies and programs	788,693	974,745
Other	82,774	193,364
Net assets released from restrictions	5,931	7,360
Total revenues, gains and other support	26,136,102	26,515,344
Expenses and losses		
Program services		
Retail operations	16,826,767	16,805,200
Workforce development	1,268,422	1,158,631
Sheltered workshop	3,760,022	3,747,552
Total program services	21,855,211	21,711,383
Management and general	2,868,992	2,732,005
Fundraising	185,287	38,580
Total expenses and losses	24,909,490	24,481,968
Change in unrestricted net assets	1,226,612	2,033,376
Temporarily Restricted Net Assets		
Contributions	8,264	5,561
Net assets released from restrictions	(5,931)	(7,360)
Change in temporarily restricted net assets	2,333	(1,799)
Change in Net Assets	1,228,945	2,031,577
Net Assets, Beginning of Year	4,917,278	2,885,701
Net Assets, End of Year	\$ 6,146,223	\$ 4,917,278

Goodwill of Western Missouri and Eastern Kansas
Consolidated Statement of Functional Expenses
Year Ended December 31, 2015

	Retail Operations	Workforce Development	Sheltered Workshop	Total Program Services	Management and General	Fundraising	Total
Salaries	\$ 7,469,009	\$ 727,813	\$ 2,190,540	\$ 10,387,362	\$ 1,437,081	\$ 127,873	\$ 11,952,316
Employee benefits	532,872	148,630	610,116	1,291,618	234,755	2,049	1,528,422
Payroll taxes	515,987	52,631	165,902	734,520	194,149	9,413	938,082
Professional fees	475,729	768	8,450	484,947	163,930	37	648,914
Supplies	348,161	6,153	5,639	359,953	34,724	2,733	397,410
Cost of merchandise	576,064	15,903	372,890	964,857	4,570	-	969,427
Occupancy	4,892,000	58,307	20,779	4,971,086	147,298	1,217	5,119,601
Equipment rental	123,928	6,972	38,137	169,037	26,410	-	195,447
Repairs and maintenance	229,640	1,191	20,211	251,042	56,515	-	307,557
Software maintenance and support	67,507	9,090	2,330	78,927	30,371	357	109,655
General insurance	251,346	19,650	82,032	353,028	53,475	4,717	411,220
Interest	27,105	-	2,076	29,181	3,111	-	32,292
Employee recruitment	1,321	-	-	1,321	140,904	-	142,225
Marketing	234,011	99,573	40	333,624	5,993	4,938	344,555
Vehicle operations	624,960	48,519	26,926	700,405	18,815	101	719,321
Conferences, meetings and trainings	18,508	4,898	479	23,885	30,808	180	54,873
Fund development	-	-	-	-	-	30,288	30,288
Memberships, dues and subscriptions	-	40	156,301	156,341	159,782	1,358	317,481
Community support	240	13,869	-	14,109	(5)	-	14,104
Depreciation	379,281	15,275	42,651	437,207	39,595	-	476,802
Loss on lease disposal obligation	-	-	-	-	62,319	-	62,319
Miscellaneous	59,098	39,140	14,523	112,761	24,392	26	137,179
Total functional expenses	\$ 16,826,767	\$ 1,268,422	\$ 3,760,022	\$ 21,855,211	\$ 2,868,992	\$ 185,287	\$ 24,909,490

Goodwill of Western Missouri and Eastern Kansas

Consolidated Statement of Functional Expenses

Year Ended December 31, 2014

	Retail Operations	Workforce Development	Sheltered Workshop	Total Program Services	Management and General	Fundraising	Total
Salaries	\$ 7,233,534	\$ 748,986	\$ 2,210,891	\$10,193,411	\$ 1,409,727	\$ 27,729	\$ 11,630,867
Employee benefits	515,248	142,722	593,088	1,251,058	199,461	144	1,450,663
Payroll taxes	515,041	53,578	168,759	737,378	196,313	1,953	935,644
Professional fees	470,717	787	10,303	481,807	139,215	135	621,157
Supplies	427,533	2,348	4,855	434,736	30,349	2,765	467,850
Cost of merchandise	645,998	25,752	337,279	1,009,029	4,120	-	1,013,149
Occupancy	4,880,705	65,351	21,904	4,967,960	165,323	364	5,133,647
Equipment rental	110,913	7,174	41,151	159,238	22,416	-	181,654
Repairs and maintenance	207,138	706	29,157	237,001	52,805	-	289,806
Software maintenance and support	70,401	9,590	1,865	81,856	42,916	2,013	126,785
General insurance	253,954	19,325	80,452	353,731	51,427	2,537	407,695
Interest	35,123	-	4,113	39,236	5,285	-	44,521
Employee recruitment	-	-	-	-	64,265	-	64,265
Marketing	289,943	4,331	80	294,354	36,506	891	331,751
Vehicle operations	660,451	58,356	32,713	751,520	14,304	49	765,873
Conferences, meetings and trainings	9,181	1,819	1,209	12,209	22,688	-	34,897
Fund development	476	-	-	476	-	-	476
Memberships, dues and subscriptions	-	423	152,189	152,612	157,553	-	310,165
Community support	368	1,290	120	1,778	9,098	-	10,876
Depreciation	441,322	15,227	56,662	513,211	51,626	-	564,837
Loss on lease disposal obligation	-	-	-	-	41,868	-	41,868
Miscellaneous	37,154	866	762	38,782	14,740	-	53,522
	<u>\$ 16,805,200</u>	<u>\$ 1,158,631</u>	<u>\$ 3,747,552</u>	<u>\$21,711,383</u>	<u>\$ 2,732,005</u>	<u>\$ 38,580</u>	<u>\$ 24,481,968</u>
Total functional expenses							

Goodwill of Western Missouri and Eastern Kansas
Consolidated Statements of Cash Flows
Years Ended December 31, 2015 and 2014

	2015	2014
Operating Activities		
Change in net assets	\$ 1,228,945	\$ 2,031,577
Items not requiring (providing) operating activities cash flows		
Depreciation	476,802	564,837
(Gain) loss on disposition of property and equipment	(8,676)	394
Loss on lease disposal obligation	62,319	41,868
Changes in		
Accounts receivable	127,902	(451,373)
Inventories	69,285	(69,500)
Prepaid supplies and expenses	(133,419)	24,866
Deposits	(10,703)	(2,000)
Accounts payable	4,061	(118,891)
Accrued expenses	38,663	(576,399)
Deferred revenue	6,656	(8,848)
Net cash provided by operating activities	1,861,835	1,436,531
Investing Activities		
Purchase of property and equipment	(832,261)	(104,570)
Proceeds from disposition of property and equipment	16,570	-
Net cash used in investing activities	(815,691)	(104,570)
Financing Activities		
Proceeds from issuance of long-term debt	88,081	-
Principal payments on long-term debt	(292,566)	(151,255)
Principal payments on capital lease obligations	(60,382)	(80,329)
Net cash used in financing activities	(264,867)	(231,584)
Change in Cash and Cash Equivalents	781,277	1,100,377
Cash and Cash Equivalents, Beginning of Year	2,903,468	1,803,091
Cash and Cash Equivalents, End of Year	\$ 3,684,745	\$ 2,903,468
Supplemental Cash Flows Information		
Interest paid	\$ 32,292	\$ 44,521
Property and equipment additions in accounts payable	10,248	-

Goodwill of Western Missouri and Eastern Kansas

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Goodwill of Western Missouri and Eastern Kansas, (the “Organization”) is a not-for-profit organization whose mission is to help people with disabilities or disadvantages by maximizing their vocational potential. The Organization’s revenues and other support are derived primarily from the sale of donated clothing and merchandise, contracts, grants and contributions. The Organization operates in 18 counties in northwest Missouri and northeast Kansas.

Principles of Consolidation

The consolidated financial statements include the accounts of the Organization and its wholly-owned subsidiary, The Helping Hand of Goodwill Industries Extended Employment Sheltered Workshop (Sheltered Workshop). All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2015 and 2014, cash equivalents consisted primarily of money market accounts with brokers.

At December 31, 2015, the Organization’s cash accounts exceeded federally insured limits by approximately \$3,391,000.

Investments

Investments at December 31, 2015 and 2014, consisted of a certificate of deposit with a carrying value of \$50,000.

Goodwill of Western Missouri and Eastern Kansas

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

Accounts Receivable

Accounts receivable are stated at the amount billed to customers. The Organization provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Accounts past due more than 90 days are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

Inventories

Inventories generally consist of donated goods that are to be sold in the Organization's retail stores. Inventory value is estimated based on average sales adjusted for inventory turnover, which approximates fair value.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings	40 years
Leasehold improvements	3-20 years
Furniture, fixtures and equipment	3-10 years
Vehicles	3-7 years

Long-lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended December 31, 2015 and 2014.

Goodwill of Western Missouri and Eastern Kansas

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

Temporarily Restricted Net Assets

Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose.

Sales to the Public

Sales to the public are recognized as revenue when the merchandise is sold, typically at the point of sale in thrift stores, salvage facilities or through e-commerce operations.

Government Contracts

Revenue received from government agencies and programs, including industrial and janitorial services, is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the contract agreements. Government programs are subject to audit and acceptance by the government agency and, as a result of such audit, adjustments could be required.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction.

Gifts of land, buildings, equipment and other long-lived assets are reported as unrestricted revenue and net assets unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as temporarily or permanently restricted revenue and net assets. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets as unrestricted net assets are reported when the long-lived assets are placed in service.

Deferred Revenue

Revenue from grants and contracts is deferred and recognized over the periods to which the revenues relate.

Goodwill of Western Missouri and Eastern Kansas
Notes to Consolidated Financial Statements
December 31, 2015 and 2014

Deferred Rent

As further discussed in *Note 6*, the Organization records deferred rent, including lease incentives, related to escalating lease payments where the lease expense is recognized on a straight-line basis. Deferred rent is included with accrued expenses on the consolidated statements of financial position.

Income Taxes

The Organization is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income. The Organization files tax returns in the U.S. federal jurisdiction.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Certain costs have been allocated among the program, management and general and fundraising categories based on estimated usage.

Note 2: Beneficial Interest in Trust

The Organization is the beneficiary under a trust administered by a bank. The assets of the trust are not included in the consolidated statements of financial position of the Organization since the trust is revocable at the discretion of the donor. A one-time distribution of \$858,000 was made from the trust in 2015, which is included in contribution revenues in the consolidated statements of activities. No income was received from the trust in 2014.

Goodwill of Western Missouri and Eastern Kansas
Notes to Consolidated Financial Statements
December 31, 2015 and 2014

Note 3: Property and Equipment

Property and equipment at December 31 consist of:

	<u>2015</u>	<u>2014</u>
Land	\$ 350,817	\$ 350,817
Buildings and leasehold improvements	2,583,813	2,783,259
Furniture, fixtures and equipment	2,846,005	2,568,437
Vehicles	623,492	584,907
Construction in process	71,659	67,174
	<u>6,475,786</u>	<u>6,354,594</u>
Less accumulated depreciation	<u>4,078,896</u>	<u>4,315,517</u>
	<u>\$ 2,396,890</u>	<u>\$ 2,039,077</u>

Note 4: Line of Credit

The Organization has a revolving bank line of credit with a maximum loan amount of \$1,000,000 through April 2016 at which time the maximum loan amount decreases to \$500,000. The revolving bank line of credit expires on December 1, 2016. At December 31, 2015 and 2014, there were no borrowings against this line. The line is collateralized by substantially all of the Organization's assets. Interest accumulates on any outstanding balance at a rate equal to 2% plus one-month LIBOR, which was 2.25% and 2.19% on December 31, 2015 and 2014, respectively, and is payable monthly.

Note 5: Long-term Debt

Long-term debt at December 31 consists of:

	<u>2015</u>	<u>2014</u>
Notes payable (A)	\$ 459,700	\$ 664,183
Capital lease obligations (B)	<u>105,795</u>	<u>166,179</u>
	<u>\$ 565,495</u>	<u>\$ 830,362</u>

(A) Notes payable with due dates ranging from October 2015 to September 2020; payable monthly ranging from \$348 to \$7,325 with interest payable monthly ranging from 2.8% to 5.6%; collateralized by vehicles and equipment.

Goodwill of Western Missouri and Eastern Kansas
Notes to Consolidated Financial Statements
December 31, 2015 and 2014

(B) Capital leases include leases covering tractors, forklifts and janitorial equipment expiring between February 2015 and October 2017; payable monthly ranging from \$574 to \$4,200, including interest ranging from 3.9% to 11%.

Aggregate annual maturities of long-term debt and payments on capital lease obligations at December 31, 2015 are:

	Long-term Debt (Excluding Leases)	Capital Lease Obligations
2016	\$ 251,368	\$ 66,597
2017	163,923	46,520
2018	24,786	-
2019	10,328	-
2020	9,295	-
	<u>\$ 459,700</u>	<u>113,117</u>
Less amount representing interest		<u>7,322</u>
Present value of future minimum lease payments		<u>\$ 105,795</u>

Property and equipment include the following property under capital leases at December 31:

	2015	2014
Equipment	\$ 79,906	\$ 150,070
Vehicles	239,464	239,464
	<u>319,370</u>	<u>389,534</u>
Less accumulated depreciation	<u>197,772</u>	<u>216,137</u>
	<u>\$ 121,598</u>	<u>\$ 173,397</u>

Note 6: Operating Leases

Noncancellable operating leases, primarily for retail store locations, expire in various years through 2029. These leases generally contain renewal options for periods ranging from five to ten years and require the Organization to pay part or all executory costs (property taxes, maintenance and insurance).

Goodwill of Western Missouri and Eastern Kansas
Notes to Consolidated Financial Statements
December 31, 2015 and 2014

Future minimum lease payments under operating leases at December 31, 2015, are:

2016	\$ 2,433,005
2017	2,242,374
2018	1,753,915
2019	1,501,860
2020	1,323,996
Later years	<u>5,000,482</u>
Total minimum lease payments	<u><u>\$ 14,255,632</u></u>

In accordance with ASC Topic 840, *Leases*, rental agreements with escalating lease payments are recognized in the consolidated statements of activities on a straight-line basis. The difference between the cash payments and amount recognized are recorded as a deferred liability. Deferred rent liability at December 31, 2015 and 2014 was \$680,233 and \$570,840, respectively, and is included in accrued expenses on the consolidated statements of financial position. Rental expense for all operating leases amounted to \$2,622,081 and \$2,686,917 for the years ended December 31, 2015 and 2014, respectively.

In accordance with ASC Topic 420, *Exit or Disposal Cost Obligations*, a lease liability for costs that will continue to be incurred under a lease contract for its remaining term without economic benefit to the entity is recognized at the cease-use date (date lessee discontinues use of the asset). During the year ended December 31, 2013, the Organization elected not to open a planned retail space for which an operating lease was in force. The leased space was and is currently vacant, and efforts to open a store location have been discontinued. As such, the Organization recognized a liability for the net present value of payments due under the lease agreement less the net present value of estimated sub-lease income which may be received under the remaining life of the lease.

A summary of changes in the accrued lease obligation for the years ended December 31, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 695,466	\$ 795,880
Obligation recognized	62,319	41,868
Payments	<u>(142,282)</u>	<u>(142,282)</u>
Balance, end of year	<u><u>\$ 615,503</u></u>	<u><u>\$ 695,466</u></u>

The associated loss recognized during the years ending December 31, 2015 and 2014 was \$62,319 and \$41,868 and is included in management and general expenses on the accompanying consolidated statements of functional expenses. The loss recognized during the years ending December 31, 2015 and 2014, related to the loss of not sub-leasing the space for which the original lease disposal obligation was reduced by the net present value of estimated sub-lease income.

Goodwill of Western Missouri and Eastern Kansas

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

Note 7: Retirement Plans

The Organization has a defined contribution plan covering substantially all employees. The Organization contributes a matching contribution up to 4% of gross salaries for eligible employees. The Organization's expense related to this plan was \$69,256 and \$73,796 in 2015 and 2014, respectively.

An employee 401(a) plan covers employees whose services are provided pursuant to a service contract entered into by the employer under the *Javits, Wagner, O'Day Act*. Benefit amounts are determined by the annual contract. The amounts paid for 2015 and 2014 were \$562,066 and \$526,891, respectively.

Note 8: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Accounts Receivable

Approximately 56% and 67% of the Organization's accounts receivable balance in 2015 and 2014, respectively, is due from two and three government agencies.

Allowance for Accounts Receivable

Estimates for allowance of uncollectible accounts receivable are described in *Note 1*.

Inventories

As discussed in *Note 1*, inventory value is estimated based on average sales adjusted for inventory turnover.

Accrued Lease Obligation

As discussed in *Note 6*, the accrued lease obligation is estimated utilizing the net present value of payments due under the lease agreement less the net present value of estimated sub-lease income which may be received under the remaining life of the lease.

Functional Allocation of Expenses

As discussed in *Note 1*, certain costs have been allocated among the program, management and general and fundraising categories based on the direct cost method and other methods.

Goodwill of Western Missouri and Eastern Kansas
Notes to Consolidated Financial Statements
December 31, 2015 and 2014

Revenue

The Organization's industrial and janitorial service contracts and governmental programs are funded by various governmental agencies. These funds are 19% of the total revenue of the Organization for both years ended December 31, 2015 and 2014.

Litigation

The Organization is subject to claims and lawsuits that arise primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets and cash flows of the Organization. Events could occur that would change this estimate materially in the near term.

Note 9: Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the consolidated financial statements were available to be issued.

The Organization entered into a new operating lease in January 2016 with escalating annual payments that range from \$161,330 to \$168,520 through 2025. The lease contains one five-year renewal option and requires the Organization to pay its proportionate share of property taxes, maintenance and insurance. The lease also contains a tenant improvement allowance of \$100,660 to fund improvements to the leased property.

Other Information

Goodwill of Western Missouri and Eastern Kansas
The Helping Hand of Goodwill Industries
Extended Employment Sheltered Workshop
Statements of Financial Position
December 31, 2015 and 2014

Assets

	2015	2014
Cash	\$ 974,442	\$ 571,303
Accounts receivable, net of allowance; 2015 - \$0 2014 - \$3,773	525,096	525,851
Due from parent organization	4,991,380	5,046,106
Prepaid supplies and expenses	44,588	26,382
Equipment, net of accumulated depreciation; 2015 - \$380,170 2014 - \$367,613	93,488	53,995
Total assets	\$ 6,628,994	\$ 6,223,637

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 66,736	\$ 56,262
Accrued expenses	191,345	157,684
Long-term debt	62,578	33,854
Total liabilities	320,659	247,800

Net Assets

Unrestricted	6,308,335	5,975,837
Total net assets	6,308,335	5,975,837
Total liabilities and net assets	\$ 6,628,994	\$ 6,223,637

Goodwill of Western Missouri and Eastern Kansas

The Helping Hand of Goodwill Industries
Extended Employment Sheltered Workshop
Statements of Activities
Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Revenues, Gains and Other Support		
Industrial and janitorial services	\$ 4,265,946	\$ 4,212,931
Government agencies and programs	81,339	99,791
Contributions	34,999	39,470
Other	3,014	2,374
	<u>4,385,298</u>	<u>4,354,566</u>
Expenses and Losses		
Program services		
Work activity center	318,556	360,964
Ability One	3,441,466	3,386,588
	<u>3,760,022</u>	<u>3,747,552</u>
Management and general	292,778	279,878
	<u>4,052,800</u>	<u>4,027,430</u>
Change in Net Assets	332,498	327,136
Net Assets, Beginning of Year	<u>5,975,837</u>	<u>5,648,701</u>
Net Assets, End of Year	<u><u>\$ 6,308,335</u></u>	<u><u>\$ 5,975,837</u></u>

Goodwill of Western Missouri and Eastern Kansas

The Helping Hand of Goodwill Industries Extended Employment Sheltered Workshop

Statement of Functional Expenses

Year Ended December 31, 2015

	<u>Program Services</u>		<u>Management and General</u>	<u>Total</u>
	<u>Work Activity Center</u>	<u>Ability One</u>		
Salaries	\$ 147,266	\$ 150,279	\$ -	\$ 297,545
Direct labor - non-disabled	-	627,630	-	627,630
Direct labor - disabled	103,397	1,161,968	-	1,265,365
Employee benefits	14,260	595,856	-	610,116
Payroll taxes	19,105	146,797	-	165,902
Professional fees	2,383	6,067	-	8,450
Supplies	654	4,985	-	5,639
Cost of merchandise	-	372,890	-	372,890
Management fee to parent organization	-	-	292,778	292,778
Occupancy	5,083	15,696	-	20,779
Equipment rental	-	38,137	-	38,137
Repairs and maintenance	-	20,211	-	20,211
Software maintenance and support	2,330	-	-	2,330
General insurance	12,839	69,193	-	82,032
Interest	-	2,076	-	2,076
Marketing	-	40	-	40
Vehicle operations	7,539	19,387	-	26,926
Conferences, meetings and trainings	30	449	-	479
Memberships	430	155,871	-	156,301
Community support	-	-	-	-
Depreciation	3,240	39,411	-	42,651
Miscellaneous	-	14,523	-	14,523
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total functional expenses	<u>\$ 318,556</u>	<u>\$ 3,441,466</u>	<u>\$ 292,778</u>	<u>\$ 4,052,800</u>

Goodwill of Western Missouri and Eastern Kansas

The Helping Hand of Goodwill Industries Extended Employment Sheltered Workshop

Statement of Functional Expenses

Year Ended December 31, 2014

	<u>Program Services</u>		<u>Management and General</u>	<u>Total</u>
	<u>Work Activity Center</u>	<u>Ability One</u>		
Salaries	\$ 147,937	\$ 261,896	\$ -	\$ 409,833
Direct labor - non-disabled	-	455,869	-	455,869
Direct labor - disabled	129,291	1,215,898	-	1,345,189
Employee benefits	23,623	569,465	-	593,088
Payroll taxes	20,426	148,333	-	168,759
Professional fees	3,008	7,295	-	10,303
Supplies	406	4,449	-	4,855
Cost of merchandise	1,543	335,736	-	337,279
Management fee to parent organization	-	-	279,878	279,878
Occupancy	6,540	15,364	-	21,904
Equipment rental	-	41,151	-	41,151
Repairs and maintenance	643	28,514	-	29,157
Software maintenance and support	1,865	-	-	1,865
General insurance	13,155	67,297	-	80,452
Interest	-	4,113	-	4,113
Marketing	-	80	-	80
Vehicle operations	5,686	27,027	-	32,713
Conferences, meetings and trainings	-	1,209	-	1,209
Memberships, dues and subscriptions	2,683	149,506	-	152,189
Community support	120	-	-	120
Depreciation	3,814	52,848	-	56,662
Miscellaneous	224	538	-	762
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total functional expenses	<u>\$ 360,964</u>	<u>\$ 3,386,588</u>	<u>\$ 279,878</u>	<u>\$ 4,027,430</u>

Goodwill of Western Missouri and Eastern Kansas
The Helping Hand of Goodwill Industries
Extended Employment Sheltered Workshop
Statements of Cash Flows
Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating Activities		
Change in net assets	\$ 332,498	\$ 327,136
Items not requiring (providing) operating activities cash flows		
Depreciation	42,651	56,662
Gain on disposal of equipment	(2,590)	-
Changes in		
Accounts receivable	755	(213,761)
Due from parent organization	54,726	469,489
Supplies and other	(18,206)	4,378
Accounts payable	10,474	(71,017)
Accrued expenses	33,661	(247,506)
	<u>453,969</u>	<u>325,381</u>
Net cash provided by operating activities		
Investing Activities		
Purchase of equipment	(82,504)	(4,548)
Proceeds from disposition of property and equipment	2,950	-
	<u>(79,554)</u>	<u>(4,548)</u>
Net cash used in investing activities		
Financing Activities		
Proceeds from issuance of long-term debt	53,151	-
Principal payments on long-term debt	(22,120)	(16,425)
Principal payments on capital lease obligations	(2,307)	(26,087)
	<u>28,724</u>	<u>(42,512)</u>
Net cash provided by (used in) financing activities		
Increase in Cash	403,139	278,321
Cash, Beginning of Year	<u>571,303</u>	<u>292,982</u>
Cash, End of Year	<u><u>\$ 974,442</u></u>	<u><u>\$ 571,303</u></u>