

Goodwill of Western Missouri and Eastern Kansas

Independent Auditor's Report and Consolidated Financial Statements

December 31, 2012 and 2011



Goodwill of Western Missouri and Eastern Kansas
December 31, 2012 and 2011

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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, 2012 and 2011, 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 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 consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Goodwill of Western Missouri and Eastern Kansas
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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, 2012 and 2011, 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.

BKD, LLP

Kansas City, Missouri
March 25, 2013

Goodwill of Western Missouri and Eastern Kansas
Consolidated Statements of Financial Position
December 31, 2012 and 2011

Assets

	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 2,154,350	\$ 954,582
Accounts receivable, net of allowance; 2012 - \$14,484, 2011 - \$10,556	884,328	1,403,946
Inventories	1,549,397	1,329,934
Prepaid supplies and expenses	271,291	255,400
Deposits	110,536	86,986
Investments	50,000	886,728
Property and equipment, net of accumulated depreciation; 2012 - \$5,670,821, 2011 - \$5,536,177	<u>2,818,834</u>	<u>2,237,275</u>
Total assets	<u>\$ 7,838,736</u>	<u>\$ 7,154,851</u>

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 645,020	\$ 641,463
Accrued expenses	1,616,771	1,522,980
Deferred revenue	70,392	70,966
Long-term debt	<u>462,333</u>	<u>341,865</u>
Total liabilities	<u>2,794,516</u>	<u>2,577,274</u>

Net Assets

Unrestricted	5,037,449	4,575,058
Temporarily restricted	<u>6,771</u>	<u>2,519</u>
Total net assets	<u>5,044,220</u>	<u>4,577,577</u>
Total liabilities and net assets	<u>\$ 7,838,736</u>	<u>\$ 7,154,851</u>

Goodwill of Western Missouri and Eastern Kansas
Consolidated Statements of Activities
Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Unrestricted Net Assets		
Revenues, gains and other support		
Sales to the public	\$ 18,864,162	\$ 15,623,083
Industrial and janitorial services	4,589,248	4,866,779
Contributions	495,063	507,879
Governmental agencies and programs	1,025,416	1,093,680
Investment return	759	33,621
Other	182,306	75,737
Net assets released from restrictions	<u>1,976</u>	<u>1,438</u>
Total revenues, gains and other support	<u>25,158,930</u>	<u>22,202,217</u>
Expenses and losses		
Program services		
Retail operations	16,913,465	13,695,718
Workforce development	1,269,218	1,245,266
Sheltered workshop	<u>4,142,200</u>	<u>4,433,993</u>
Total program services	22,324,883	19,374,977
Management and general	2,251,555	2,069,850
Fundraising	<u>120,101</u>	<u>229,034</u>
Total expenses and losses	<u>24,696,539</u>	<u>21,673,861</u>
Change in unrestricted net assets	<u>462,391</u>	<u>528,356</u>
Temporarily Restricted Net Assets		
Contributions	6,228	3,957
Net assets released from restrictions	<u>(1,976)</u>	<u>(1,438)</u>
Change in temporarily restricted net assets	<u>4,252</u>	<u>2,519</u>
Change in Net Assets	466,643	530,875
Net Assets, Beginning of Year	<u>4,577,577</u>	<u>4,046,702</u>
Net Assets, End of Year	<u><u>\$ 5,044,220</u></u>	<u><u>\$ 4,577,577</u></u>

Goodwill of Western Missouri and Eastern Kansas
Consolidated Statement of Functional Expenses
Year Ended December 31, 2012

	Retail Operations	Workforce Development	Sheltered Workshop	Total Program Services	Management and General	Fundraising	Total
Salaries	\$ 7,677,531	\$ 807,361	\$ 2,389,707	\$ 10,874,599	\$ 1,255,351	\$ 71,692	\$ 12,201,642
Employee benefits	492,120	125,961	603,675	1,221,756	182,049	10,792	1,414,597
Payroll taxes	655,504	65,436	201,550	922,490	87,545	5,181	1,015,216
Professional fees	435,026	785	13,744	449,555	118,511	22	568,088
Supplies	601,074	13,208	11,924	626,206	49,841	4,935	680,982
Cost of merchandise	555,393	47,397	385,867	988,657	263	-	988,920
Occupancy	4,243,081	88,907	33,595	4,365,583	74,234	1,771	4,441,588
Equipment rental	88,662	7,809	70,581	167,052	18,316	-	185,368
Repairs and maintenance	264,613	2,231	20,966	287,810	43,145	-	330,955
Software maintenance and support	66,891	1,000	1,865	69,756	37,918	-	107,674
General insurance	262,903	20,324	117,274	400,501	44,410	2,476	447,387
Interest	21,525	-	10,024	31,549	688	-	32,237
Employee recruitment	4,136	180	2,954	7,270	23,983	-	31,253
Marketing	284,801	2,002	232	287,035	25,069	817	312,921
Vehicle operations	713,408	49,310	27,961	790,679	19,534	1,389	811,602
Conferences, meetings and trainings	4,714	1,191	5,977	11,882	30,721	1,644	44,247
Fund development	894	-	665	1,559	388	16,734	18,681
Memberships, dues and subscriptions	2,074	168	174,010	176,252	153,190	2,441	331,883
Community support	75	9,932	-	10,007	1,839	-	11,846
Depreciation	435,496	4,129	69,502	509,127	76,807	-	585,934
Miscellaneous	103,544	21,887	127	125,558	7,753	207	133,518
Total functional expenses	\$ 16,913,465	\$ 1,269,218	\$ 4,142,200	\$ 22,324,883	\$ 2,251,555	\$ 120,101	\$ 24,696,539

Goodwill of Western Missouri and Eastern Kansas

Consolidated Statement of Functional Expenses

Year Ended December 31, 2011

	Retail Operations	Workforce Development	Sheltered Workshop	Total Program Services	Management and General	Fundraising	Total
Salaries	\$ 5,951,262	\$ 753,678	\$ 2,548,500	\$ 9,253,440	\$ 1,048,817	\$ 102,024	\$ 10,404,281
Employee benefits	364,540	156,196	671,994	1,192,730	118,460	16,336	1,327,526
Payroll taxes	586,062	68,170	224,566	878,798	90,669	8,376	977,843
Professional fees	370,926	18	54,622	425,566	172,691	11,750	610,007
Supplies	431,593	18,594	14,008	464,195	62,381	19,602	546,178
Cost of merchandise	511,753	1,905	354,378	868,036	12,039	-	880,075
Occupancy	4,016,206	126,166	52,363	4,194,735	68,399	3,066	4,266,200
Equipment rental	49,822	6,708	57,890	114,420	11,052	-	125,472
Repairs and maintenance	261,251	8,098	29,777	299,126	51,880	125	351,131
Software maintenance and support	59,813	-	-	59,813	5,566	1,773	67,152
General insurance	211,390	27,340	121,394	360,124	24,963	2,786	387,873
Interest	4,571	-	1,076	5,647	64,701	-	70,348
Employee recruitment	29,494	1,069	4,227	34,790	18,898	1,073	54,761
Marketing	15,566	1,262	23,386	40,214	20,899	41,134	102,247
Vehicle operations	475,542	47,697	32,226	555,465	8,914	428	564,807
Conferences, meetings and trainings	8,977	3,519	10,042	22,538	31,032	4,611	58,181
Fund development	-	-	-	-	4,460	12,371	16,831
Memberships, dues and subscriptions	1,713	2,180	185,332	189,225	127,345	2,312	318,882
Community support	-	2,381	-	2,381	18,447	-	20,828
Depreciation	318,656	4,648	45,867	369,171	79,808	476	449,455
Miscellaneous	26,581	15,637	2,345	44,563	28,429	791	73,783
	<u>\$ 13,695,718</u>	<u>\$ 1,245,266</u>	<u>\$ 4,433,993</u>	<u>\$19,374,977</u>	<u>\$ 2,069,850</u>	<u>\$ 229,034</u>	<u>\$ 21,673,861</u>
Total functional expenses	<u>\$ 13,695,718</u>	<u>\$ 1,245,266</u>	<u>\$ 4,433,993</u>	<u>\$19,374,977</u>	<u>\$ 2,069,850</u>	<u>\$ 229,034</u>	<u>\$ 21,673,861</u>

Goodwill of Western Missouri and Eastern Kansas
Consolidated Statements of Cash Flows
Years Ended December 31, 2012 and 2011

	2012	2011
Operating Activities		
Change in net assets	\$ 466,643	\$ 530,875
Items not requiring (providing) operating activities cash flows		
Depreciation	585,934	449,455
Net realized and unrealized losses on investments	-	60,681
Gain on disposition of property and equipment	(64,973)	(5,455)
Changes in		
Accounts receivable	519,618	(611,988)
Inventories	(219,463)	(327,732)
Prepaid supplies and expenses	(15,891)	(117,984)
Deposits	(23,550)	9,431
Accounts payable	3,557	(87,669)
Accrued expenses	93,791	66,062
Deferred revenue	(574)	67,471
	<u>1,345,092</u>	<u>33,147</u>
Net cash provided by operating activities		
Investing Activities		
Purchase of property and equipment	(1,071,264)	(341,454)
Proceeds from disposition of property and equipment	70,900	30,000
Purchase of investments	(50,000)	(240,584)
Proceeds from disposition of investments	886,728	2,300,603
	<u>(163,636)</u>	<u>1,748,565</u>
Net cash provided by (used in) investing activities		
Financing Activities		
Net borrowings (payments) on line of credit	-	(1,493,712)
Proceeds from issuance of long-term debt	103,127	66,189
Principal payments on long-term debt	(21,423)	(12,056)
Principal payments on capital lease obligations	(63,392)	-
	<u>18,312</u>	<u>(1,439,579)</u>
Net cash provided by (used in) financing activities		
Increase in Cash and Cash Equivalents	1,199,768	342,133
Cash and Cash Equivalents, Beginning of Year	954,582	612,449
Cash and Cash Equivalents, End of Year	\$ 2,154,350	\$ 954,582
Supplemental Cash Flows Information		
Interest paid	\$ 32,237	\$ 70,348
Long-term debt incurred for purchase of property and equipment	102,156	288,232

Goodwill of Western Missouri and Eastern Kansas

Notes to Consolidated Financial Statements

December 31, 2012 and 2011

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, 2012 and 2011, cash equivalents consisted primarily of money market accounts with brokers.

At December 31, 2012, the Organization’s cash accounts did not exceed federally insured limits.

Pursuant to legislation enacted in 2010, the FDIC fully insured all noninterest-bearing transaction accounts beginning December 31, 2010 through December 31, 2012, at all FDIC-insured institutions. This legislation expired on December 31, 2012. Beginning January 1, 2013, noninterest-bearing transaction accounts are subject to the \$250,000 limit on FDIC insurance per covered institution.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value.

Goodwill of Western Missouri and Eastern Kansas

Notes to Consolidated Financial Statements

December 31, 2012 and 2011

Investment return that is initially restricted by donor stipulation and for which the restriction is met in the same time period is recorded as temporarily restricted and then released from restriction. Other investment return is reflected in the consolidated statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

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	3-10 years
Furniture, fixtures and equipment	3-7 years
Vehicles	3 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, 2012 and 2011.

Goodwill of Western Missouri and Eastern Kansas

Notes to Consolidated Financial Statements

December 31, 2012 and 2011

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.

Government Contracts

Revenue received from government agencies and programs 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.

Deferred Rent

As further discussed in Note 7, the Organization records deferred rent 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.

Goodwill of Western Missouri and Eastern Kansas

Notes to Consolidated Financial Statements

December 31, 2012 and 2011

The Organization files tax returns in the U.S. federal jurisdiction. With a few exceptions, the Organization is no longer subject to the U.S. federal examinations by tax authorities for years before 2009.

Functional Allocation of Expenses

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

Reclassifications

Certain reclassifications have been made to the 2011 financial statements to conform to the 2012 financial statement presentation. These reclassifications had no effect on the change in net assets.

Note 2: Investments and Investment Return

Investments at December 31 consisted of the following:

	2012	2011
Money market funds	\$ -	\$ 886,728
Certificates of deposit	50,000	-
	\$ 50,000	\$ 886,728

Total investment return is comprised of the following:

	2012	2011
Interest and dividend income	\$ 759	\$ 94,302
Net realized gains	-	401,450
Change in unrealized gains (losses)	-	(462,131)
	\$ 759	\$ 33,621

Note 3: 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 grantor. No income was received from the trust in 2012 and 2011.

Goodwill of Western Missouri and Eastern Kansas
Notes to Consolidated Financial Statements
December 31, 2012 and 2011

Note 4: Property and Equipment

Property and equipment at December 31 consisted of the following:

	<u>2012</u>	<u>2011</u>
Land	\$ 934,312	\$ 934,312
Buildings and leasehold improvements	4,955,570	4,676,706
Furniture, fixtures and equipment	2,123,112	1,796,293
Vehicles	470,768	366,141
Construction in process	5,893	-
	<u>8,489,655</u>	<u>7,773,452</u>
Less accumulated depreciation and amortization	<u>5,670,821</u>	<u>5,536,177</u>
	<u>\$ 2,818,834</u>	<u>\$ 2,237,275</u>

Note 5: Line of Credit

In 2012, the Organization entered into a \$500,000 revolving bank line of credit expiring in 2013. At December 31, 2012, 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 2.21% on December 31, 2012 and is payable monthly.

Note 6: Long-term Debt

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

	<u>2012</u>	<u>2011</u>
Notes payable (A)	\$ 141,786	\$ 60,083
Capital lease obligations (B)	<u>320,547</u>	<u>281,782</u>
	<u>\$ 462,333</u>	<u>\$ 341,865</u>

(A) Notes payable with due dates ranging from October 2015 to February 2017; payable monthly ranging from \$348 to \$627 with interest payable monthly ranging from 3.9% to 5.5%; collateralized by vehicle.

Goodwill of Western Missouri and Eastern Kansas
Notes to Consolidated Financial Statements
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(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, 2012 are:

	Long-term Debt (Excluding Leases)	Capital Lease Obligations
2013	\$ 42,955	\$ 95,286
2014	42,700	95,861
2015	38,559	70,253
2016	16,037	67,034
2017	1,535	46,622
	<u>\$ 141,786</u>	<u>375,056</u>
Less amount representing interest		<u>54,509</u>
Present value of future minimum lease payments		<u>\$ 320,547</u>

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

	2012	2011
Equipment	\$ 150,070	\$ 48,768
Vehicles	239,464	239,464
	<u>389,534</u>	<u>288,232</u>
Less accumulated depreciation	<u>73,558</u>	<u>7,465</u>
	<u>\$ 315,976</u>	<u>\$ 280,767</u>

Note 7: Operating Leases

Noncancellable operating leases, primarily for retail store locations, expire in various years through 2022. These leases generally contain renewal options for periods ranging from 5 to 10 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
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Future minimum lease payments under operating leases at December 31, 2012, were:

2013	\$ 2,211,869
2014	1,773,433
2015	1,633,434
2016	1,378,615
2017	1,291,503
Later years	<u>2,862,615</u>
Total minimum lease payments	<u><u>\$ 11,151,469</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, 2012 and 2011 was \$583,711 and \$511,740, respectively, and is included in accrued expenses on the consolidated statements of financial position. Rental expense for all operating leases amounted to \$2,421,383 and \$2,252,492 for the years ended December 31, 2012 and 2011, respectively.

Note 8: 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 \$85,573 and \$50,791 in 2012 and 2011, 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 2012 and 2011 were \$517,200 and \$468,024, respectively.

Note 9: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Goodwill of Western Missouri and Eastern Kansas
Notes to Consolidated Financial Statements
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Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include money market funds, mutual funds, common and preferred stock and other equity securities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

The following table presents the fair value measurements of assets recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31:

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2011				
Money market funds	\$ 886,728	\$ 886,728	\$ -	\$ -

Note 10: 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 50% and 72% of the Organization's accounts receivable balance in 2012 and 2011, respectively, is due from two government contracts.

Goodwill of Western Missouri and Eastern Kansas

Notes to Consolidated Financial Statements

December 31, 2012 and 2011

Inventories

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

Revenue

The Organization's contracts and programs are funded by various governmental agencies. These funds are 22% and 27% of the total revenue of the Organization for the years ended December 31, 2012 and 2011, respectively.

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.

Current Economic Conditions

The current protracted economic decline continues to present not-for-profit organizations with difficult circumstances and challenges, which in some cases have resulted in large and unanticipated declines in the fair value of investments and other assets, declines in contributions and grant revenue, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the Organization.

Current economic conditions have made it difficult for many donors to continue to contribute to not-for-profit organizations. A significant decline in contribution revenue and grant revenue could have an adverse impact on the Organization's future operating results.

In addition, given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values and other assets that could negatively impact the Organization's ability to maintain sufficient liquidity.

Note 11: Subsequent Events

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

Goodwill of Western Missouri and Eastern Kansas

Notes to Consolidated Financial Statements

December 31, 2012 and 2011

The Organization entered into a new operating lease with annual rental payments of \$160,800 through 2028. The lease contains a five year renewal option and requires the Organization to pay its proportionate share of executor costs (property taxes, maintenance and insurance). The lease also contains an option to buy the leased property for a minimum of \$2,300,000. The right to exercise the purchase option expires within the first five years of the lease agreement.

The Organization entered into another new operating lease with escalating annual payments that range from \$165,000 to \$177,600 through 2028. The lease contains 2 five year renewal options and requires the Organization to pay its proportionate share of property taxes. The lease also contains an option to buy the leased property for a minimum of \$2,300,000. The right to exercise the purchase option expires within the first five years of the lease agreement.

In January 2013, the Organization entered into a settlement agreement with the landlord of one of their retail stores. As partial satisfaction for the Tenant Improvement Allowance agreed upon in the original lease agreement entered into in August 2010, the Organization was awarded \$45,260. In addition to the cash award, the Organization is to receive \$54,000 in rent credit, commencing in February 2013. Each month going forward, the monthly rent obligation will be reduced by 25% until the rent credit balance is fully recouped. Subsequent to the settlement agreement, a dismissal with prejudice was filed by the Organization.