

# **Goodwill of Western Missouri and Eastern Kansas**

Independent Auditor's Report and Consolidated Financial Statements

December 31, 2013 and 2012

# Goodwill of Western Missouri and Eastern Kansas

## December 31, 2013 and 2012

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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, 2013 and 2012, 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.

***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, 2013 and 2012, 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, 2013 and 2012, 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 financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**BKD, LLP**

Kansas City, Missouri  
March 28, 2014

**Goodwill of Western Missouri and Eastern Kansas**  
**Consolidated Statements of Financial Position**  
**December 31, 2013 and 2012**

**Assets**

	<b>2013</b>	<b>2012</b>
Cash and cash equivalents	\$ 1,803,091	\$ 2,154,350
Accounts receivable, net of allowance; 2013 - \$114,429, 2012 - \$14,484	602,863	884,328
Inventories	1,611,763	1,549,397
Prepaid supplies and expenses	280,177	271,291
Deposits	162,281	110,536
Investments	50,000	50,000
Property and equipment, net of accumulated depreciation; 2013 - \$6,179,130, 2012 - \$5,670,821	2,499,738	2,818,834
Total assets	\$ 7,009,913	\$ 7,838,736

**Liabilities and Net Assets**

**Liabilities**

Accounts payable	\$ 615,957	\$ 645,020
Accrued expenses	1,605,048	1,616,771
Accrued lease obligation	795,880	-
Deferred revenue	45,381	70,392
Long-term debt	1,061,946	462,333
Total liabilities	4,124,212	2,794,516

**Net Assets**

Unrestricted	2,881,813	5,037,449
Temporarily restricted	3,888	6,771
Total net assets	2,885,701	5,044,220
Total liabilities and net assets	\$ 7,009,913	\$ 7,838,736

**Goodwill of Western Missouri and Eastern Kansas**  
**Consolidated Statements of Activities**  
**Years Ended December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>Unrestricted Net Assets</b>		
Revenues, gains and other support		
Sales to the public	\$ 20,372,581	\$ 18,864,162
Industrial and janitorial services	4,148,416	4,589,248
Contributions	240,219	495,063
Governmental agencies and programs	1,101,854	1,025,416
Investment return	237	759
Other	174,497	182,306
Net assets released from restrictions	<u>9,204</u>	<u>1,976</u>
Total revenues, gains and other support	<u>26,047,008</u>	<u>25,158,930</u>
Expenses and losses		
Program services		
Retail operations	18,169,280	16,913,465
Workforce development	1,307,878	1,269,218
Sheltered workshop	<u>4,250,030</u>	<u>4,142,200</u>
Total program services	23,727,188	22,324,883
Management and general	4,373,872	2,251,555
Fundraising	<u>101,584</u>	<u>120,101</u>
Total expenses and losses	<u>28,202,644</u>	<u>24,696,539</u>
Change in unrestricted net assets	<u>(2,155,636)</u>	<u>462,391</u>
<b>Temporarily Restricted Net Assets</b>		
Contributions	6,321	6,228
Net assets released from restrictions	<u>(9,204)</u>	<u>(1,976)</u>
Change in temporarily restricted net assets	<u>(2,883)</u>	<u>4,252</u>
<b>Change in Net Assets</b>	(2,158,519)	466,643
<b>Net Assets, Beginning of Year</b>	<u>5,044,220</u>	<u>4,577,577</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 2,885,701</u></u>	<u><u>\$ 5,044,220</u></u>

## Goodwill of Western Missouri and Eastern Kansas

### Consolidated Statement of Functional Expenses

Year Ended December 31, 2013

	Retail Operations	Workforce Development	Sheltered Workshop	Total Program Services	Management and General	Fundraising	Total
Salaries	\$ 8,233,863	\$ 858,625	\$ 2,450,451	\$ 11,542,939	\$ 1,497,440	\$ 66,274	\$ 13,106,653
Employee benefits	537,741	138,047	646,555	1,322,343	232,680	9,867	1,564,890
Payroll taxes	615,723	63,990	189,552	869,265	211,600	4,998	1,085,863
Professional fees	455,530	901	12,603	469,034	185,649	73	654,756
Supplies	679,525	10,716	7,915	698,156	59,064	2,036	759,256
Cost of merchandise	746,078	39,567	430,725	1,216,370	450	-	1,216,820
Occupancy	4,491,623	57,831	21,798	4,571,252	144,874	1,605	4,717,731
Equipment rental	102,932	6,145	84,754	193,831	25,753	-	219,584
Repairs and maintenance	273,388	2,698	26,965	303,051	92,761	2	395,814
Software maintenance and support	70,768	2,351	1,865	74,984	78,050	2,141	155,175
General insurance	294,160	20,700	100,832	415,692	50,286	2,313	468,291
Interest	25,561	-	8,157	33,718	3,502	-	37,220
Employee recruitment	40	-	-	40	37,387	-	37,427
Marketing	299,019	6,287	30	305,336	14,511	7,497	327,344
Vehicle operations	750,575	61,069	29,736	841,380	19,514	416	861,310
Conferences, meetings and trainings	13,778	1,342	2,004	17,124	31,979	393	49,496
Fund development	622	-	(27)	595	118	3,844	4,557
Memberships, dues and subscriptions	50	80	157,055	157,185	189,712	125	347,022
Community support	490	400	-	890	16,053	-	16,943
Depreciation	441,084	14,315	65,619	521,018	91,441	-	612,459
Impairment of long-lived assets	-	-	-	-	583,495	-	583,495
Loss on lease disposal obligation	-	-	-	-	794,971	-	794,971
Miscellaneous	136,730	22,814	13,441	172,985	12,582	-	185,567
<b>Total functional expenses</b>	<b>\$ 18,169,280</b>	<b>\$ 1,307,878</b>	<b>\$ 4,250,030</b>	<b>\$ 23,727,188</b>	<b>\$ 4,373,872</b>	<b>\$ 101,584</b>	<b>\$ 28,202,644</b>

## 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
	<u>\$ 16,913,465</u>	<u>\$ 1,269,218</u>	<u>\$ 4,142,200</u>	<u>\$22,324,883</u>	<u>\$ 2,251,555</u>	<u>\$ 120,101</u>	<u>\$ 24,696,539</u>
Total functional expenses	<u>\$ 16,913,465</u>	<u>\$ 1,269,218</u>	<u>\$ 4,142,200</u>	<u>\$22,324,883</u>	<u>\$ 2,251,555</u>	<u>\$ 120,101</u>	<u>\$ 24,696,539</u>



**Goodwill of Western Missouri and Eastern Kansas**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>Operating Activities</b>		
Change in net assets	\$ (2,158,519)	\$ 466,643
Items not requiring (providing) operating activities cash flows		
Depreciation	612,459	585,934
(Gain)/loss on disposition of property and equipment	616	(64,973)
Impairment loss on property	583,495	-
Loss on lease disposal obligation	794,971	-
Changes in		
Accounts receivable	281,465	519,618
Inventories	(62,366)	(219,463)
Prepaid supplies and expenses	(8,886)	(15,891)
Deposits	(51,745)	(23,550)
Accounts payable	(29,063)	3,557
Accrued expenses	(10,814)	93,791
Deferred revenue	(25,011)	(574)
	<u>(73,398)</u>	<u>1,345,092</u>
Net cash provided by (used in) operating activities		
<b>Investing Activities</b>		
Purchase of property and equipment	(877,474)	(1,071,264)
Proceeds from disposition of property and equipment	-	70,900
Purchase of investments	-	(50,000)
Proceeds from disposition of investments	-	886,728
	<u>(877,474)</u>	<u>(163,636)</u>
Net cash used in investing activities		
<b>Financing Activities</b>		
Proceeds from issuance of long-term debt	746,439	103,127
Principal payments on long-term debt	(72,786)	(21,423)
Principal payments on capital lease obligations	(74,040)	(63,392)
	<u>599,613</u>	<u>18,312</u>
Net cash provided by financing activities		
<b>Change in Cash and Cash Equivalents</b>	(351,259)	1,199,768
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>2,154,350</u>	<u>954,582</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 1,803,091</u>	<u>\$ 2,154,350</u>
<b>Supplemental Cash Flows Information</b>		
Interest paid	\$ 37,220	\$ 32,237
Long-term debt incurred for purchase of property and equipment	-	102,156

# **Goodwill of Western Missouri and Eastern Kansas**

## **Notes to Consolidated Financial Statements**

### **December 31, 2013 and 2012**

#### **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, 2013 and 2012, cash equivalents consisted primarily of money market accounts with brokers.

At December 31, 2013, the Organization’s cash accounts exceeded federally insured limits by approximately \$1,141,000.

##### ***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 and interest.

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.

# **Goodwill of Western Missouri and Eastern Kansas**

## **Notes to Consolidated Financial Statements**

### **December 31, 2013 and 2012**

#### ***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.

Impairment losses of \$583,495 and \$0 were recognized for the Organization's headquarters including land, building and related improvements for the years ended December 31, 2013 and 2012, respectively, based on structural assessments and discussions of relocating the headquarters. The loss is included in management and general expenses on the accompanying statements of functional expenses. Fair value was determined based on comparable market data for the headquarters.

# **Goodwill of Western Missouri and Eastern Kansas**

## **Notes to Consolidated Financial Statements**

### **December 31, 2013 and 2012**

#### ***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, 2013 and 2012

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 2010.

#### ***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: Investments and Investment Return**

Investments at December 31, 2013 and 2012 consisted of a certificate of deposit with a carrying value of \$50,000. Total investment return is comprised of interest income and totaled \$237 and \$759, respectively, during the years ended December 31, 2013 and 2012.

#### **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 2013 and 2012.

#### **Note 4: Property and Equipment**

Property and equipment at December 31 consisted of the following:

	<b>2013</b>	<b>2012</b>
Land	\$ 350,817	\$ 934,312
Buildings and leasehold improvements	2,684,785	4,955,570
Furniture, fixtures and equipment	2,550,446	2,123,112
Vehicles	584,907	470,768
Construction in process	82,647	5,893
	6,253,602	8,489,655
Less accumulated depreciation	3,753,864	5,670,821
	\$ 2,499,738	\$ 2,818,834

**Goodwill of Western Missouri and Eastern Kansas**  
**Notes to Consolidated Financial Statements**  
**December 31, 2013 and 2012**

**Note 5: Line of Credit**

The Organization has a \$500,000 revolving bank line of credit expiring in 2014. At December 31, 2013 and 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 2.19% and 2.21% on December 31, 2013 and 2012, respectively, and is payable monthly.

**Note 6: Long-term Debt**

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

	<b>2013</b>	<b>2012</b>
Notes payable (A)	\$ 815,439	\$ 141,786
Capital lease obligations (B)	246,507	320,547
	\$ 1,061,946	\$ 462,333

- (A) Notes payable with due dates ranging from October 2015 to September 2018; payable monthly ranging from \$348 to \$7,325 with interest payable monthly ranging from 3.1% to 5.6%; collateralized by vehicles and equipment.
- (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%.

**Goodwill of Western Missouri and Eastern Kansas**  
**Notes to Consolidated Financial Statements**  
**December 31, 2013 and 2012**

Aggregate annual maturities of long-term debt and payments on capital lease obligations at December 31, 2013 are:

	<b>Long-term Debt (Excluding Leases)</b>	<b>Capital Lease Obligations</b>
2014	\$ 147,421	\$ 95,287
2015	280,955	70,246
2016	235,473	67,039
2017	146,360	46,621
2018	5,230	-
	<u>\$ 815,439</u>	<u>279,193</u>
Less amount representing interest		<u>32,686</u>
Present value of future minimum lease payments		<u>\$ 246,507</u>

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

	<b>2013</b>	<b>2012</b>
Equipment	\$ 150,070	\$ 150,070
Vehicles	239,464	239,464
	<u>389,534</u>	<u>389,534</u>
Less accumulated depreciation	<u>144,848</u>	<u>73,558</u>
	<u>\$ 244,686</u>	<u>\$ 315,976</u>

**Note 7: Operating Leases**

Noncancellable operating leases, primarily for retail store locations, expire in various years through 2028. 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**  
**December 31, 2013 and 2012**

Future minimum lease payments under operating leases at December 31, 2013, were:

2014	\$ 2,787,940
2015	2,651,997
2016	2,392,181
2017	2,221,200
2018	1,655,972
Later years	<u>6,381,433</u>
 Total minimum lease payments	 <u><u>\$ 18,090,723</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, 2013 and 2012 was \$549,219 and \$583,711, respectively, and is included in accrued expenses on the consolidated statements of financial position. Rental expense for all operating leases amounted to \$2,493,672 and \$2,421,383 for the years ended December 31, 2013 and 2012, 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). The Organization elected not to open a planned retail space for which an operating lease was in force. The leased space is currently vacant, and efforts to open a store location have been discontinued. As such, the Organization recognized a liability and expense for \$795,880 as of December 31, 2013 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. The loss is included in management and general expenses on the accompanying consolidated statements of functional expenses.

**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 \$80,359 and \$85,573 in 2013 and 2012, 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 2013 and 2012 were \$531,955 and \$517,200, respectively.



# Goodwill of Western Missouri and Eastern Kansas

## Notes to Consolidated Financial Statements

### December 31, 2013 and 2012

#### **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
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

#### ***Nonrecurring Measurements***

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a nonrecurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31.

#### ***Long-lived Assets***

Land, buildings and related improvements are valued at fair value on December 31, 2013, due to an impairment recorded. The fair value is estimated using comparable market data on the building. As there are no observable market transactions available, the land and building are classified within Level 3 of the valuation hierarchy. The reported fair value of the land, building and related improvements as of December 31, 2013 is \$450,000.

#### **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 52% and 50% of the Organization's accounts receivable balance in 2013 and 2012, respectively, is due from two government contracts.

# **Goodwill of Western Missouri and Eastern Kansas**

## **Notes to Consolidated Financial Statements**

### **December 31, 2013 and 2012**

#### ***Inventories***

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

#### ***Revenue***

The Organization's industrial and janitorial service contracts and governmental programs are funded by various governmental agencies. These funds are 20% and 22% of the total revenue of the Organization for the years ended December 31, 2013 and 2012, 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 sales to the public, 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.

The Organization amended its revolving bank line of credit to increase the maximum borrowings from \$500,000 to \$800,000, effective January 14, 2014 through May 5, 2014. The line of credit will expire in June 2014.

## **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, 2013 and 2012

#### Assets

	<u>2013</u>	<u>2012</u>
Cash	\$ 292,982	\$ 255,790
Accounts receivable, net of allowance; 2013 - \$3,618, 2012 - \$0	312,090	491,264
Due from parent organization	5,515,595	5,245,976
Prepaid supplies	30,760	22,529
Equipment, net of accumulated depreciation; 2013 - \$310,951, 2012 - \$250,533	106,109	149,869
	<u>106,109</u>	<u>149,869</u>
Total assets	<u>\$ 6,257,536</u>	<u>\$ 6,165,428</u>

#### Liabilities and Net Assets

##### Liabilities

Accounts payable	\$ 127,279	\$ 133,508
Accrued expenses	405,190	203,263
Deferred revenue	-	33,631
Long-term debt	76,366	116,518
	<u>76,366</u>	<u>116,518</u>
Total liabilities	<u>608,835</u>	<u>486,920</u>

##### Net Assets

Unrestricted	<u>5,648,701</u>	<u>5,678,508</u>
Total net assets	<u>5,648,701</u>	<u>5,678,508</u>
Total liabilities and net assets	<u>\$ 6,257,536</u>	<u>\$ 6,165,428</u>

# Goodwill of Western Missouri and Eastern Kansas

## The Helping Hand of Goodwill Industries Extended Employment Sheltered Workshop

### Statements of Activities

Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>Revenues, Gains and Other Support</b>		
Industrial and janitorial services	\$ 4,354,897	\$ 4,759,405
Government agencies and programs	134,955	136,364
Contributions	48,412	48,412
Other	474	5,936
	<u>4,538,738</u>	<u>4,950,117</u>
Total revenues, gains and other support		
	<u>4,538,738</u>	<u>4,950,117</u>
<b>Expenses and Losses</b>		
Program services		
Work activity center	429,373	458,930
Ability One	3,820,657	3,683,270
	<u>4,250,030</u>	<u>4,142,200</u>
Total program services		
	4,250,030	4,142,200
Management and general	318,515	425,476
	<u>4,568,545</u>	<u>4,567,676</u>
Total expenses and losses		
	<u>4,568,545</u>	<u>4,567,676</u>
<b>Change in Net Assets</b>	(29,807)	382,441
<b>Net Assets, Beginning of Year</b>	<u>5,678,508</u>	<u>5,296,067</u>
<b>Net Assets, End of Year</b>	<u>\$ 5,648,701</u>	<u>\$ 5,678,508</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, 2013

	<u>Program Services</u>		Management and General	Total
	<u>Work Activity Center</u>	<u>Ability One</u>		
Salaries	\$ 169,380	\$ 72,809		\$ 242,189
Direct labor - non-disabled	-	733,184		733,184
Direct labor - disabled	160,095	1,314,983		1,475,078
Employee benefits	26,926	619,629		646,555
Payroll taxes	25,826	163,726		189,552
Professional fees	5,596	7,007		12,603
Supplies	2,134	5,781		7,915
Cost of merchandise	237	430,488		430,725
Management fee to parent organization	-	-	\$ 318,515	318,515
Occupancy	5,754	16,044	-	21,798
Equipment rental	-	84,754	-	84,754
Repairs and maintenance	860	26,105	-	26,965
Software maintenance and support	1,865	-	-	1,865
General insurance	14,799	86,033	-	100,832
Interest	-	8,157	-	8,157
Marketing	10	20	-	30
Vehicle operations	3,580	26,156	-	29,736
Conferences, meetings and trainings	-	2,004	-	2,004
Fund development	(27)	-	-	(27)
Memberships	205	156,850	-	157,055
Depreciation	9,922	55,697	-	65,619
Miscellaneous	2,211	11,230	-	13,441
	<u>\$ 429,373</u>	<u>\$ 3,820,657</u>	<u>\$ 318,515</u>	<u>\$ 4,568,545</u>
Total functional expenses	<u>\$ 429,373</u>	<u>\$ 3,820,657</u>	<u>\$ 318,515</u>	<u>\$ 4,568,545</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, 2012

	<u>Program Services</u>		Management and General	Total
	Work Activity Center	Ability One		
Salaries	\$ 167,626	\$ 388,245		\$ 555,871
Direct labor - non-disabled	-	305,160		305,160
Direct labor - disabled	165,192	1,363,484		1,528,676
Employee benefits	34,337	569,338		603,675
Payroll taxes	30,489	171,061		201,550
Professional fees	6,588	7,156		13,744
Supplies	3,059	8,865		11,924
Cost of merchandise	-	385,867		385,867
Management fee to parent organization	-	-	\$ 425,476	425,476
Occupancy	14,992	18,603	-	33,595
Equipment rental	13	70,568	-	70,581
Repairs and maintenance	2,418	18,548	-	20,966
Software maintenance and support	1,865	-	-	1,865
General insurance	16,533	100,741	-	117,274
Interest	-	10,024	-	10,024
Employee recruitment	-	2,954	-	2,954
Marketing	108	124	-	232
Vehicle operations	4,772	23,189	-	27,961
Conferences, meetings and trainings	20	5,957	-	5,977
Fund development	415	250	-	665
Memberships, dues and subscriptions	450	173,560	-	174,010
Depreciation	9,955	59,547	-	69,502
Miscellaneous	98	29	-	127
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total functional expenses	<u>\$ 458,930</u>	<u>\$ 3,683,270</u>	<u>\$ 425,476</u>	<u>\$ 4,567,676</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, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>Operating Activities</b>		
Change in net assets	\$ (29,807)	\$ 382,441
Items not requiring (providing) operating activities cash flows		
Depreciation	65,619	69,502
(Gain) loss on disposal of equipment	(187)	464
Changes in		
Accounts receivable	179,174	569,469
Due from parent organization	(269,619)	(533,777)
Supplies and other	(8,231)	14,391
Accounts payable	(6,229)	(63,203)
Accrued expenses	201,927	(178,502)
Deferred revenue	(33,631)	(3,432)
	<u>99,016</u>	<u>257,353</u>
<b>Investing Activities</b>		
Purchase of equipment	(21,672)	(46,099)
Proceeds from disposition of property and equipment	<u>-</u>	<u>900</u>
	<u>(21,672)</u>	<u>(45,199)</u>
<b>Financing Activities</b>		
Proceeds from issuance of long-term debt	-	40,371
Principal payments on long-term debt	(16,791)	(13,463)
Principal payments on capital lease obligations	<u>(23,361)</u>	<u>(19,264)</u>
	<u>(40,152)</u>	<u>7,644</u>
<b>Increase in Cash</b>	37,192	219,798
<b>Cash, Beginning of Year</b>	<u>255,790</u>	<u>35,992</u>
<b>Cash, End of Year</b>	<u><u>\$ 292,982</u></u>	<u><u>\$ 255,790</u></u>
<b>Supplemental Cash Flows Information</b>		
Long-term debt incurred for purchase of property and equipment	\$ -	\$ 71,019