

**GOODWILL INDUSTRIES OF NORTHWEST OHIO, INC.  
AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2016 AND 2015**

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



**GOODWILL INDUSTRIES OF NORTHWEST OHIO, INC.  
AND SUBSIDIARY  
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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Goodwill Industries of Northwest Ohio, Inc.  
and Subsidiary  
Toledo, Ohio

We have audited the accompanying consolidated financial statements of Goodwill Industries of Northwest Ohio, Inc. and subsidiary, which comprise the consolidated statements of financial position as of December 31, 2016 and 2015 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.

### ***Auditors' 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 auditors' 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 Trustees  
Goodwill Industries of Northwest Ohio, Inc.  
and Subsidiary

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Goodwill Industries of Northwest Ohio, Inc. and subsidiary as of December 31, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Toledo, Ohio  
April 21, 2017

**GOODWILL INDUSTRIES OF NORTHWEST OHIO, INC.  
AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2016 AND 2015**

<b>ASSETS</b>	2016	2015
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 1,281,127	\$ 1,455,458
Accounts Receivable, Net	288,916	296,816
Inventories	820,985	903,902
Prepaid Expenses	322,517	288,476
Total Current Assets	2,713,545	2,944,652
<b>PROPERTY AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION AND AMORTIZATION</b>	967,785	1,258,795
<b>OTHER ASSETS</b>		
Deposits	28,537	28,537
Investments	1,142,615	1,089,629
Total Other Assets	1,171,152	1,118,166
Total Assets	\$ 4,852,482	\$ 5,321,613
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 105,679	\$ 102,242
Accrued Compensation	385,129	347,411
Other Accrued Liabilities	283,032	298,902
Total Current Liabilities	773,840	748,555
<b>UNRESTRICTED NET ASSETS</b>		
Undesignated	2,936,027	3,483,429
Board Designated	1,142,615	1,089,629
Total Unrestricted Net Assets	4,078,642	4,573,058
Total Liabilities and Net Assets	\$ 4,852,482	\$ 5,321,613

See accompanying Notes to Consolidated Financial Statements.

**GOODWILL INDUSTRIES OF NORTHWEST OHIO, INC.  
AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
<b>REVENUE AND SUPPORT</b>		
Retail Sales	\$ 11,428,335	\$ 11,442,015
Contribution Revenue - Donated Goods	6,383,326	6,566,707
Contract Sales	947,180	1,187,077
Governmental Services	686,445	563,953
Investment Income (Loss)	77,318	(15,104)
Other	158,916	201,588
Total Revenue and Support	19,681,520	19,946,236
<b>EXPENSES</b>		
Cost of Goods Sold	6,558,722	6,695,072
Functional Expenses:		
Program Services	11,274,501	11,238,935
Management and General	2,342,713	2,182,190
Total Expenses	20,175,936	20,116,197
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	(494,416)	(169,961)
Net Asset - Beginning of Year	4,573,058	4,743,019
<b>NET ASSETS - END OF YEAR</b>	\$ 4,078,642	\$ 4,573,058

See accompanying Notes to Consolidated Financial Statements.

**GOODWILL INDUSTRIES OF NORTHWEST OHIO, INC.  
AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2016 WITH COMPARATIVE TOTALS FOR 2015**

	Program Services				Program Services Total	Management and General	2016 Total	2015 Total
	Rehabilitation	Stores	Donated Goods Processing	Contracts				
Salaries and Wages	\$ 386,720	\$ 3,455,301	\$ 892,128	\$ 396,633	\$ 5,130,782	\$ 1,171,334	\$ 6,302,116	\$ 6,217,561
Payroll Taxes	35,528	316,626	87,743	39,533	479,430	99,909	579,339	432,541
Employee Health Benefits	49,658	141,141	62,266	18,998	272,063	297,475	569,538	493,601
Total Payroll Related Expenses	<u>471,906</u>	<u>3,913,068</u>	<u>1,042,137</u>	<u>455,164</u>	<u>5,882,275</u>	<u>1,568,718</u>	<u>7,450,993</u>	<u>7,143,703</u>
Occupancy	4,422	2,911,862	704,335	8,046	3,628,665	93,502	3,722,167	3,958,226
Local Transportation	17,347	9,878	400,875	4	428,104	47,309	475,413	512,170
Postage and Shipping	33	279,774	554	-	280,361	2,631	282,992	319,068
Supplies	35,190	128,124	89,512	36,310	289,136	36,139	325,275	319,394
Bank Charges and Interest	108	192,467	1,141	679	194,395	56,092	250,487	223,208
National and Organizational Dues	35	-	-	-	35	119,744	119,779	114,151
Professional Fees	-	46,905	3,659	-	50,564	150,886	201,450	182,973
Telephone	5,470	33,307	12,280	1,318	52,375	13,524	65,899	62,175
Printing and Publications	2,110	4,107	2,268	-	8,485	67,612	76,097	84,277
Bad Debt	-	-	-	-	-	-	-	18,831
Building Maintenance	-	77,902	10,183	4,974	93,059	31,324	124,383	-
Equipment Maintenance	5,414	7,060	6,185	3,628	22,287	7,991	30,278	-
Software Expense	25,720	-	-	-	25,720	5,746	31,466	-
Security and Insurance	-	22,280	5,488	1,640	29,408	1,597	31,005	-
Miscellaneous	4,792	192	-	7,704	12,688	40,758	53,446	93,576
Total Functional Expenses Before Depreciation and Amortization	<u>572,547</u>	<u>7,626,926</u>	<u>2,278,617</u>	<u>519,467</u>	<u>10,997,557</u>	<u>2,243,573</u>	<u>13,241,130</u>	<u>13,031,752</u>
Depreciation and Amortization	<u>3,805</u>	<u>230,378</u>	<u>36,725</u>	<u>6,036</u>	<u>276,944</u>	<u>99,140</u>	<u>376,084</u>	<u>389,373</u>
Total Functional Expenses	<u>\$ 576,352</u>	<u>\$ 7,857,304</u>	<u>\$ 2,315,342</u>	<u>\$ 525,503</u>	<u>\$ 11,274,501</u>	<u>\$ 2,342,713</u>	<u>\$ 13,617,214</u>	<u>\$ 13,421,125</u>

See accompanying Notes to Consolidated Financial Statements.

**GOODWILL INDUSTRIES OF NORTHWEST OHIO, INC.  
AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2015**

	Program Services				Program Services Total	Management and General	2015 Total
	Rehabilitation	Stores	Donated Goods Processing	Contracts			
Salaries and Wages	\$ 355,747	\$ 3,346,302	\$ 926,453	\$ 559,228	\$ 5,187,730	\$ 1,029,831	\$ 6,217,561
Payroll Taxes	21,645	242,921	57,458	33,625	355,649	76,892	432,541
Employee Health Benefits	52,420	113,743	42,320	21,151	229,634	263,967	493,601
Total Payroll Related Expenses	<u>429,812</u>	<u>3,702,966</u>	<u>1,026,231</u>	<u>614,004</u>	<u>5,773,013</u>	<u>1,370,690</u>	<u>7,143,703</u>
Occupancy	5,661	2,931,706	867,994	15,060	3,820,421	137,805	3,958,226
Local Transportation	12,627	11,053	434,221	34	457,935	54,235	512,170
Postage and Shipping	92	315,456	359	-	315,907	3,161	319,068
Supplies	41,169	129,888	74,242	43,659	288,958	30,436	319,394
Bank Charges and Interest	150	169,537	162	(677)	169,172	54,036	223,208
National and Organizational Dues	220	-	-	-	220	113,931	114,151
Professional Fees	-	44,377	10,415	-	54,792	128,181	182,973
Telephone	3,279	29,946	12,915	1,058	47,198	14,977	62,175
Printing and Publications	460	510	-	-	970	83,307	84,277
Bad Debt	-	-	-	-	-	18,831	18,831
Miscellaneous	(32,873)	41,404	16,676	5,349	30,556	63,020	93,576
Total Functional Expenses Before Depreciation and Amortization	<u>460,597</u>	<u>7,376,843</u>	<u>2,443,215</u>	<u>678,487</u>	<u>10,959,142</u>	<u>2,072,610</u>	<u>13,031,752</u>
Depreciation and Amortization	<u>271</u>	<u>211,677</u>	<u>60,759</u>	<u>7,086</u>	<u>279,793</u>	<u>109,580</u>	<u>389,373</u>
Total Functional Expenses	<u><u>\$ 460,868</u></u>	<u><u>\$ 7,588,520</u></u>	<u><u>\$ 2,503,974</u></u>	<u><u>\$ 685,573</u></u>	<u><u>\$ 11,238,935</u></u>	<u><u>\$ 2,182,190</u></u>	<u><u>\$ 13,421,125</u></u>

See accompanying Notes to Consolidated Financial Statements.



**GOODWILL INDUSTRIES OF NORTHWEST OHIO, INC.  
AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (494,416)	\$ (169,961)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	376,084	389,373
Net Unrealized and Realized Losses (Gains) on Investments	(51,181)	38,662
Loss on Disposal of Equipment	-	1,516
(Increase) Decrease in Assets:		
Accounts Receivable, Net	7,900	(1,465)
Inventories	82,917	12,031
Prepaid Expenses	(34,041)	(4,926)
Deposits	-	(10,839)
Increase (Decrease) in Liabilities:		
Accounts Payable	3,437	(89,535)
Accrued Compensation	37,718	(309,291)
Other Accrued Liabilities	(15,870)	172,831
Net Cash Provided (Used) by Operating Activities	(87,452)	28,396
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(85,074)	(338,560)
Proceeds from Sale of Investments	292,851	258,241
Proceeds from Sale of Property and Equipment	-	19,750
Purchase of Investments	(294,656)	(271,733)
Net Cash Used by Investing Activities	(86,879)	(332,302)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(174,331)	(303,906)
Cash and Cash Equivalents - Beginning of Year	1,455,458	1,759,364
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 1,281,127	\$ 1,455,458
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid for Interest	\$ 323	\$ 482

See accompanying Notes to Consolidated Financial Statements.

**GOODWILL INDUSTRIES OF NORTHWEST OHIO, INC.  
AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Goodwill Industries of Northwest Ohio, Inc. (Goodwill) is a nonprofit Ohio corporation organized in 1933 that provides human services to assist disadvantaged individuals with disabilities to achieve their optimum level of independence. Specifically, the programs of Goodwill provide employment, training and rehabilitation services to assist in overcoming limitations that prevent the individual from being a productive, independent citizen. In addition, Goodwill operates thrift stores in Northwest Ohio as a means of providing jobs and training, as well as assistance and affordable goods to the local area's families and children. The organization is a member of Goodwill Industries International.

The consolidated financial statements include the accounts of Goodwill Industries of Northwest, Ohio, Inc. and its subsidiary, ContractTech Inc. (collectively, the Organization). ContractTech Inc. (ContractTech) was established as a wholly owned subsidiary in 1992 and was formed to administer general services contracts. All material balances and transactions between the entities have been eliminated.

Significant accounting policies followed by the Organization are presented below.

**Basis of Accounting**

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting. The accrual basis of accounting provides for the recognition of revenues when earned and expenses when incurred.

**Basis of Presentation**

In accordance with accounting principles generally accepted in the United States of America, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

**Unrestricted**

Net assets not subject to donor-imposed restrictions or stipulations as to purpose or use.

**Temporarily Restricted**

Net assets that are subject to donor-imposed restrictions or stipulations that may or will be met by the actions of Organization or the passage of time. These net assets include gifts for which donor-imposed restrictions have not been met, and trust activities and pledges receivable for which the ultimate purpose of the proceeds is not permanently restricted.

**Permanently Restricted**

Net assets that are subject to donor-imposed restrictions of investing the principal contribution in perpetuity and the investment income be used only for the Organization's operations and purpose.

As of December 31, 2016 and 2015, the Organization did not have any temporarily or permanently restricted net assets.

**GOODWILL INDUSTRIES OF NORTHWEST OHIO, INC.  
AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation (Continued)**

All restricted support is reported as an increase in temporarily restricted net assets, depending on the nature of the restriction.

When a restriction expires (that is, when a stipulated time restriction ends, a purpose restriction ends, or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions, whose restrictions are met in the same reporting period, are reported as unrestricted support.

**Use of Estimates**

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant areas involving the use of management's estimates and assumptions are the allowance for doubtful accounts receivable, end of year inventory and cost of sales, depreciable lives and methods of property and equipment, and the allocation of functional expenses. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

The Organization considers all highly liquid investments with an initial maturity of three months or less when purchased to be cash equivalents. The Organization maintains cash deposits with several financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. At times cash balances may be in excess of FDIC insurance limits. Management regularly monitors the financial condition of each institution in which it has depository accounts and believes the risks of loss are minimal.

**Investments**

Investments, consisting of equity and fixed income mutual funds, are carried at fair value. Fair value is determined based on quoted market values of the funds.

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

Investments are classified as current or noncurrent assets, depending on management's intentions as to their use.

**GOODWILL INDUSTRIES OF NORTHWEST OHIO, INC.  
AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounts Receivable**

The Organization extends credit to its nonretail customers based on an evaluation of the customer's credit history. Accounts receivable are carried at original invoice amount less an estimate made for doubtful accounts. Management determines the allowance for doubtful accounts using the specific identification method. The allowance is based on experience, third party contracts, and other circumstances which may affect the ability of the payor to meet their obligations. Receivables are considered delinquent when payments have not been received in accordance with the contractual terms. It is the policy of the Organization to charge off uncollectible accounts when management determines that the receivable will not be collected. There was no allowance for doubtful accounts as of December 31, 2016 and 2015.

**Inventories**

The Organization receives contributions of goods and materials (inventory) and processes these contributions as merchandise available for sale in its retail thrift stores. Accounting standards require that contributions be recognized as revenues or gains in the period received and as assets, decreases of liabilities or expenses depending on the form of benefits received. Contributions should be measured at fair value.

The Organization believes that the inventory of donated goods and materials does not possess an attribute that is easily measureable or verifiable with sufficient reliability to determine inventory value at the time of the donation. Instead, the value of inventory at the end of the year is estimated using historical sales of similar inventory. Inventory balances recorded at year-end are comprised mostly of goods donated to the Organization for resale through its thrift stores. The Organization considers the costs (store expenses, processing, transportation, and retail management) associated with bringing the donated inventory to sale in its estimate of the fair value of the inventory.

The estimate of the inventory value of donated goods and material in its retail stores is based on a 12-month rolling average of retail sales less cost of sales multiplied by the estimated shelf life of inventory on hand at December 31.

**Property and Equipment**

Property and equipment are carried at cost, except for donated items which are recorded at fair value when donated. Costs greater than \$500 that materially add to the productive capacity or extend the life of an asset are capitalized while maintenance and repair costs are expensed as incurred.

The Organization provides for depreciation and amortization using the straight-line method over the estimated useful lives of the depreciable assets, or for leasehold improvements, the shorter of estimated useful lives or the applicable lease term, which generally range from 5 – 4 years for building and leasehold improvements and 3 – 10 years for other assets.

**GOODWILL INDUSTRIES OF NORTHWEST OHIO, INC.  
AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Donations and Contributed Goods, Cash Contributions and Donated Services**

Generally, contributions are received in the form of goods such as clothing, household furnishings, and appliances. The items are sorted, processed, and distributed to Goodwill's thrift stores. Items which cannot be retailed or reconditioned are sold as salvage. Collection, sorting, processing, renovation, and distribution costs are charged to operations as incurred. Cash contributions from individuals and businesses are designated by the board of directors for capital acquisition unless specifically restricted by the donor. Grants receipts for which expenditures will be incurred in future periods are classified as deferred revenue. No amounts have been reflected in the financial statements for donated services, as services provided do not meet the definition for services required to be reported under accounting principles generally accepted in the United States of America. A number of volunteers, including the board of directors, however, have donated significant amounts of their time and expertise to the Organization's programs and supportive services.

**Functional Expenses**

The cost of providing the various programs and other activities have been detailed in the statements of functional expenses and summarized on a functional basis in the statement of activities. Expenses that can be identified with a specific program service are charged directly to that program, according to their natural expenditure and classification. Other expenses have been allocated based on reasonable methods of allocation as determined by management. Management and general expenses, although common to several programs, are not allocated as no objective basis for allocation has been identified.

**Fundraising Expense**

Fundraising expense is included in various expense accounts within management and general expenses on the statements of functional expenses. The amount of fundraising expense was approximately \$31,000 and \$25,000 for the years ended December 31, 2016 and 2015, respectively.

**Advertising**

Advertising and promotion costs are expensed as incurred. Such costs were \$76,097 and \$84,277 for the years ended December 31, 2016 and 2015, respectively.

**Income Taxes**

Goodwill Industries of Northwest Ohio, Inc. and its subsidiary are each exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and are not classified as private foundations. As such, no provision for income tax expense has been made in the accompanying consolidated financial statements. The Internal Revenue Code provides for taxation of unrelated business income under certain circumstances. The Organization reports no net unrelated business taxable income; however, such status is subject to final determination upon examination of the related tax returns by the appropriate taxing authorities.

**GOODWILL INDUSTRIES OF NORTHWEST OHIO, INC.  
AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Taxes (Continued)**

The Organization follows the income tax standard for uncertain tax positions. Management has determined that they have no uncertain tax positions.

**Subsequent Events**

Management evaluated subsequent events through April 21, 2017, the date the consolidated financial statements were available to be issued.

**NOTE 2 INVESTMENTS**

Investments at December 31 consist of the following:

	<u>2016</u>	<u>2015</u>
Mutual Funds:		
Small Cap	\$ 50,195	\$ 51,201
Midcap	52,082	69,086
Large Blend	-	36,263
International	125,705	146,181
Index	336,478	284,101
Growth	99,131	87,614
Fixed Income	378,781	342,789
Real Estate Investment Trust	14,946	-
Other	40,181	35,814
Money Market	45,116	36,580
Total Investments	<u>\$ 1,142,615</u>	<u>\$ 1,089,629</u>

Investment income for December 31 is as follows:

	<u>2016</u>	<u>2015</u>
Unrealized and Realized Gains (Loss)	\$ 51,181	\$ (38,662)
Interest and Dividend Income	26,137	23,558
Total Investment Income (Loss)	<u>\$ 77,318</u>	<u>\$ (15,104)</u>

**GOODWILL INDUSTRIES OF NORTHWEST OHIO, INC.  
AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**NOTE 3 PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at December 31, 2016:

	2016	2015
Land	\$ 72,750	\$ 72,750
Building and Leasehold Improvements	4,677,496	4,639,111
Furniture, Fixtures, and Equipment	1,996,972	1,950,282
Trucks and Trailers	158,385	158,385
	<u>6,905,603</u>	<u>6,820,528</u>
Less: Accumulated Depreciation and Amortization	5,937,818	5,561,733
Net Property and Equipment	<u>\$ 967,785</u>	<u>\$ 1,258,795</u>

**NOTE 4 ENDOWMENTS**

The Organization's endowments consist of a fund established to support the achievement of the Organization's mission. The Goodwill Industries of Northwest Ohio, Inc. Endowment Fund (Endowment Fund) consists of funds designated by the board of trustees (the Trustees) to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

The Trustees have interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Consequently, the Organization classifies permanently restricted net assets as:

- The original value of gifts donated to the permanent endowment, and
- The original value of subsequent gifts to the permanent endowment.

The remaining portion of the donor-restricted endowment fund not classified as permanently restricted is classified as temporarily restricted net assets until those amounts are appropriated for expenditure.

**GOODWILL INDUSTRIES OF NORTHWEST OHIO, INC.  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**NOTE 4 ENDOWMENTS (CONTINUED)**

**Return Objectives and Risk Parameters**

The Organization has adopted an investment policy for endowment assets that attempts to manage fund assets according to prudent standards as established in common trust law. Investment of the funds shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so. The intent is for investments to be broadly diversified so as to participate in market growth. The principal investment objective of the portfolio is to provide a rate of return sufficient to offset the impact of inflation on Endowment Fund assets as well as to provide for a degree of real growth commensurate with a moderate level of risk. In order to attain these investment objectives, Endowment Fund assets are comprised of equity and fixed income securities as well as cash equivalents allocated in a manner broadly consistent with the long-term goals.

**Distribution Policy**

The Trustees determine an amount to be withdrawn from the cumulative investment return of certain endowment funds to support the activities of the Organization; the remainder is retained to support operations of future years and to offset potential market declines. Annual distributions from the Endowment Fund may be made to the Organization based on the spending guidelines of the Endowment Fund; however, the Organization may request distributions in excess of the spending guidelines.

The president/CEO of the Organization may also take a distribution from the Endowment Fund on a yearly basis based on spending policy of no more than 3.5% of principal based on a rolling three-year average of year-end assets.

**Strategies Employed for Achieving Objectives**

In order to meet its needs, the investment strategy of the Organization is to emphasize total return; that is, the aggregate return from realized and unrealized capital gains and losses and dividend and interest income.

At December 31, 2016 and 2015, unrestricted board designated endowment funds totaled \$1,142,615 and \$1,089,629, respectively.

Changes in unrestricted endowment net assets for the years ended December 31 were as follows:

	<u>2016</u>	<u>2015</u>
Net Assets - Beginning of Year	\$ 1,089,629	\$ 1,114,799
Net Investment Return:		
Investment Income	26,137	23,558
Net Appreciation (Depreciation)	51,181	(38,662)
Investment Fees	<u>(10,332)</u>	<u>(10,412)</u>
Total Net Investment Return	66,986	(25,516)
Designations to Endowment	-	346
Distributions	<u>(14,000)</u>	-
Net Assets - End of Year	<u>\$ 1,142,615</u>	<u>\$ 1,089,629</u>



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**NOTE 5 FAIR VALUE MEASUREMENTS**

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value. The term “fair value hierarchy” refers to the relative reliability of inputs to a fair value measurement. Generally, the lower the level of input for a fair value measurement, the more extensive the disclosure requirement.

The three-level fair value hierarchy prioritizes the inputs to valuation technique used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

*Level 1* – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

*Level 2* – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in active markets or markets that are not active, such as dealer or broker markets.

*Level 3* – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models, and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

There were no financial instruments measured at fair value that moved to a lower level in the fair value hierarchy due to the lack of observable quotes in inactive markets for those instruments at December 31, 2015.

Certain financial assets and liabilities are measured at fair value on a recurring basis while others are measured on a nonrecurring basis. The Organization had no assets or liabilities measured on a nonrecurring basis at December 31, 2016 and 2015.

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**NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)**

The following table summarizes financial assets (no liabilities) measured at fair value as of December 31, 2016 and 2015, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	2016			Total Fair Value
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
Mutual Funds:				
Small Cap	\$ 50,195	\$ -	\$ -	\$ 50,195
Midcap	52,082	-	-	52,082
International	125,705	-	-	125,705
Index	336,478	-	-	336,478
Growth	99,131	-	-	99,131
Fixed Income	378,781	-	-	378,781
Real Estate Investment Trust	14,946	-	-	14,946
Other	40,181	-	-	40,181
Money Market	-	45,116	-	45,116
Total Investments at Fair Value	<u>\$ 1,097,499</u>	<u>\$ 45,116</u>	<u>\$ -</u>	<u>\$ 1,142,615</u>
	2015			Total Fair Value
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
Mutual Funds:				
Small Cap	\$ 51,201	\$ -	\$ -	\$ 51,201
Midcap	69,086	-	-	69,086
Large Blend	36,263	-	-	36,263
International	146,181	-	-	146,181
Index	284,101	-	-	284,101
Growth	87,614	-	-	87,614
Fixed Income	342,789	-	-	342,789
Other	35,814	-	-	35,814
Money Market	-	36,580	-	36,580
Total Investments at Fair Value	<u>\$ 1,053,049</u>	<u>\$ 36,580</u>	<u>\$ -</u>	<u>\$ 1,089,629</u>

**NOTE 6 LINE OF CREDIT**

At December 31, 2016, the Organization has available a \$500,000 line of credit with interest at 1.50% in excess of the one-month LIBOR. This line of credit is secured by substantially all assets of the Organization and matures on October 4, 2017. There were no borrowings under this or a similar line of credit at December 31, 2015.

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**NOTE 7 MAJOR CUSTOMERS**

Contract sales included revenue from one customer in 2016 and 2015 of approximately 92% and 95%, respectively, of total contract sales. Accounts receivable at December 31, 2016 and 2015 from this customer aggregated approximately 27% and 31%, respectively, of total receivables. There was one additional customer in 2016 and one additional different customer in 2015 that amounted to 15% and 10%, respectively, of total receivables.

Governmental services included revenue from one customer in 2016 and 2015 of approximately 54% and 80%, respectively, of total governmental services revenue. There was one additional customer in 2016 that amounted to 15% of total governmental services revenue. Accounts receivable at December 31, 2016 and 2015 from this customer was approximately 8% and 20%, respectively, of total receivables.

**NOTE 8 PENSION PLAN**

The Organization has a defined contribution pension plan covering substantially all employees. The plan allows for contributions by the Organization to be determined annually at its discretion. Total pension expense, including administrative expenses paid by the Organization, was \$57,211 and \$62,883 for the years ended December 31, 2016 and 2015, respectively.

**NOTE 9 LEASE COMMITMENTS**

As of December 31, 2016, Goodwill leased 15 retail store locations; four in Toledo, two in Bowling Green, and one each in Bryan, Defiance, Findlay, Fostoria, Napoleon, Ottawa, Tiffin, Whitehouse and Wauseon, Ohio. In addition, Goodwill leases 10 donation stations and office space. Rent expense, including maintenance fees, totaled \$2,749,106 and \$2,775,558 for the years ended December 31, 2016 and 2015, respectively.

Future minimum lease payments under noncancellable operating leases are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 2,266,879
2018	1,711,314
2019	1,383,094
2020	1,253,005
2021	1,068,782
2022 and Thereafter	1,972,503
Total	<u>\$ 9,655,577</u>

**NOTE 10 CONTINGENCIES**

In the normal course of operations, the Organization may be subject to litigation and claims. While the outcome of any such matters cannot presently be determined, management believes that their ultimate resolution will not have a material adverse effect on the accompanying consolidated financial statements.



Investment advisory services are offered through CliftonLarsonAllen  
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