

**GOODWILL INDUSTRIES OF SOUTHERN CALIFORNIA
AND AFFILIATES**

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015 and 2014

GOODWILL INDUSTRIES OF SOUTHERN CALIFORNIA
AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015 and 2014

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION – DECEMBER 31, 2015 AND 2014.....	3
CONSOLIDATED STATEMENTS OF ACTIVITIES – DECEMBER 31, 2015 AND 2014.....	4
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES – DECEMBER 31, 2015 AND 2014.....	6
CONSOLIDATED STATEMENTS OF CASH FLOWS – DECEMBER 31, 2015 AND 2014.....	8
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.....	9
SUPPLEMENTAL INFORMATION	
SUPPLEMENTAL SCHEDULE – CLASSIFIED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION – DECEMBER 31, 2015 AND 2014	30
SUPPLEMENTAL SCHEDULE – CONSOLIDATING STATEMENT OF FINANCIAL POSITION - DECEMBER 31, 2015.....	31

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Goodwill Industries of Southern California and Affiliates
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Goodwill Industries of Southern California and Affiliates (collectively, the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 Organization'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 Organization'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.

(Continued)

Opinion

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

Other Matters

The financial statements of Goodwill Industries of Southern California and Affiliates as of December 31, 2014, were audited by other auditors whose report dated May 19, 2015, expressed an unmodified opinion on those statements.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the 2015 consolidated financial statements as a whole. The 2015 classified consolidated statement of financial position and consolidating statement of financial position are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual organizations, and is not a required part of the consolidated financial statements. The classified consolidated statements of financial position and consolidating statement of financial position is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information and other information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the 2015 consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2015 information is fairly stated in all material respects in relation to the 2015 consolidated financial statements as a whole. The 2014 classified consolidated statement of financial position is presented for purposes of additional analysis and is not a required part of the 2014 financial statements. The 2014 information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2014 financial statements. The information has been subjected to the auditing procedures applied by other auditors in the audit of the 2014 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and whose report dated May 19, 2015 expressed an opinion that such information was fairly stated in all material respects in relation to the 2014 consolidated financial statements as a whole.

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
May 9, 2016

GOODWILL INDUSTRIES OF SOUTHERN CALIFORNIA AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 10,344,486	\$ 6,922,338
Cash and cash equivalents intended for improvements	745,604	586,936
Investments (Note 4)	17,306,022	17,572,723
Accounts receivable, net	3,889,897	3,500,359
Inventory	7,415,450	11,156,267
Prepaid expenses and deposits	4,131,996	4,394,814
Other receivables (Note 5)	1,677,927	1,819,805
Property, plant and equipment, net (Note 6)	<u>30,810,704</u>	<u>34,993,397</u>
Total assets	<u>\$ 76,322,086</u>	<u>\$ 80,946,639</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	\$ 12,571,587	\$ 11,578,893
Accrued compensation and related expenses	4,574,364	6,790,393
Accrued insurance claims (Note 11)	13,939,159	13,713,514
Deferred gain on sale leaseback (Note 6)	4,524,467	4,868,468
Deferred rent - construction allowance (Note 6)	2,967,928	3,314,154
Note payable (Note 7)	<u>9,900,996</u>	<u>2,000,000</u>
Total liabilities	<u>48,478,501</u>	<u>42,265,422</u>
Net assets (Note 8)		
Unrestricted	21,725,703	33,151,521
Temporarily restricted	3,743,575	3,148,799
Permanently restricted	<u>2,374,307</u>	<u>2,380,897</u>
Total net assets	<u>27,843,585</u>	<u>38,681,217</u>
Total liabilities and net assets	<u>\$ 76,322,086</u>	<u>\$ 80,946,639</u>

See accompanying notes to consolidated financial statements.

GOODWILL INDUSTRIES OF SOUTHERN CALIFORNIA AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues:				
Operating revenues				
Sales from stores	\$ 107,431,064	\$ -	\$ -	\$ 107,431,064
Commodities sales	5,016,031	-	-	5,016,031
Contract services	6,889,879	-	-	6,889,879
Workforce development revenues *	12,212,771	-	-	12,212,771
Food services	299,862	-	-	299,862
Other	<u>711,575</u>	<u>-</u>	<u>-</u>	<u>711,575</u>
	132,561,182	-	-	132,561,182
Other revenues and support:				
Contributions	907,475	1,674,364	20,000	2,601,839
Contributions to capital campaign	-	31,714	-	31,714
Interest and dividends	354,940	-	-	354,940
Contributed goods	67,132,052	-	-	67,132,052
Loss on sale of property	(135,740)	-	-	(135,740)
Net assets released from restriction	<u>1,672,842</u>	<u>(1,672,842)</u>	<u>-</u>	<u>-</u>
Total revenues and support	202,492,751	33,236	20,000	202,545,987
Expenses:				
Program services	201,123,362	-	-	201,123,362
Fundraising	1,415,648	-	-	1,415,648
General and administrative	<u>10,495,685</u>	<u>-</u>	<u>-</u>	<u>10,495,685</u>
Total operating expense	<u>213,034,695</u>	<u>-</u>	<u>-</u>	<u>213,034,695</u>
Changes in net assets from operations	(10,541,944)	33,236	20,000	(10,488,708)
Other changes in net assets:				
Unexpended unappropriated endowment	(533,949)	533,949	-	-
Realized and unrealized gains and losses	<u>(349,925)</u>	<u>27,591</u>	<u>(26,590)</u>	<u>(348,924)</u>
Changes in net assets	(11,425,818)	594,776	(6,590)	(10,837,632)
Net assets, beginning of the year	<u>33,151,521</u>	<u>3,148,799</u>	<u>2,380,897</u>	<u>38,681,217</u>
Net assets, end of year	<u>\$ 21,725,703</u>	<u>\$ 3,743,575</u>	<u>\$ 2,374,307</u>	<u>\$ 27,843,585</u>

* Includes government grants for \$5,836,110.

See accompanying notes to consolidated financial statements.

GOODWILL INDUSTRIES OF SOUTHERN CALIFORNIA AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues:				
Operating revenues				
Sales from stores	\$ 104,920,419	\$ -	\$ -	\$ 104,920,419
Commodities sales	5,654,528	-	-	5,654,528
Contract services	6,830,772	-	-	6,830,772
Workforce development revenues *	11,982,047	-	-	11,982,047
Food services	403,627	-	-	403,627
Other	<u>293,882</u>	<u>-</u>	<u>-</u>	<u>293,882</u>
	130,085,275	-	-	130,085,275
Other revenues and support:				
Contributions	2,091,791	1,498,165	10,000	3,599,956
Contributions to capital campaign	-	729,032	-	729,032
Interest and dividends	379,726	-	-	379,726
Contributed goods	71,093,459	-	-	71,093,459
Loss on sale of property	(166,986)	-	-	(166,986)
Net assets released from restriction	<u>2,822,470</u>	<u>(2,822,470)</u>	<u>-</u>	<u>-</u>
Total revenues and support	206,305,735	(595,273)	10,000	205,720,462
Expenses:				
Program services	202,553,779	-	-	202,553,779
Fundraising	1,692,416	-	-	1,692,416
General and administrative	<u>16,036,116</u>	<u>-</u>	<u>-</u>	<u>16,036,116</u>
Total operating expense	<u>220,282,311</u>	<u>-</u>	<u>-</u>	<u>220,282,311</u>
Changes in net assets from operations	(13,976,576)	(595,273)	10,000	(14,561,849)
Other changes in net assets:				
Realized and unrealized gains	<u>772,623</u>	<u>118,597</u>	<u>(5,742)</u>	<u>885,478</u>
Changes in net assets	(13,203,953)	(476,676)	4,258	(13,676,371)
Net assets, beginning of the year	<u>46,355,474</u>	<u>3,625,475</u>	<u>2,376,639</u>	<u>52,357,588</u>
Net assets, end of year	<u>\$ 33,151,521</u>	<u>\$ 3,148,799</u>	<u>\$ 2,380,897</u>	<u>\$ 38,681,217</u>

* Includes government grants for \$5,129,341.

See accompanying notes to consolidated financial statements.

GOODWILL INDUSTRIES OF SOUTHERN CALIFORNIA AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2015

	Program Services					Support Services			
	Material Handling	Stores	Contract Services	Workforce Development	Food Service	Total	Fundraising	General Administrative	Total Expenses
Salaries and wages	\$ 9,927,032	\$ 26,871,773	\$ 4,024,047	\$ 10,721,772	\$ 354,883	\$ 51,899,507	\$ 588,059	\$ 4,780,654	\$ 57,268,220
Payroll taxes	735,854	2,047,808	300,821	807,206	26,863	3,918,552	40,348	293,123	4,252,023
Employee benefits	1,997,909	5,060,950	685,719	1,736,924	75,376	9,556,878	101,115	783,279	10,441,272
Total salaries and related expenses	12,660,795	33,980,531	5,010,587	13,265,902	457,122	65,374,937	729,522	5,857,056	71,961,515
Contributed goods - cost of goods sold	-	72,688,592	-	-	-	72,688,592	-	-	72,688,592
Rents	9,079,132	15,530,427	5,556	347,940	-	24,963,055	-	-	24,963,055
Professional fees and services	1,373,154	3,535,450	406,421	2,659,262	28,149	8,002,436	234,449	2,511,775	10,748,660
Occupancy	3,333,106	3,411,457	439,812	1,750,525	87,266	9,022,166	65,441	768,744	9,856,351
Supplies	640,621	1,971,914	375,726	231,607	244,516	3,464,384	8,998	284,628	3,758,010
Transportation	2,257,670	55,314	370,780	129,919	446	2,814,129	2,906	15,889	2,832,924
Utilities	897,083	1,813,208	-	91,481	-	2,801,772	-	-	2,801,772
Trash disposal	2,075,083	2,310	475	-	-	2,077,868	-	-	2,077,868
Insurance	515,475	501,336	144,071	133,737	5,192	1,299,811	7,458	236,944	1,544,213
Postage and shipping	8,564	965,211	27,860	4,998	-	1,006,633	312,354	24,741	1,343,728
Repairs and maintenance	565,402	560,055	13,619	16,971	3,570	1,159,617	-	-	1,159,617
Printing, publications and media	-	1,034,677	2,149	14,675	15,847	1,067,348	28,692	47,354	1,143,394
Telephone	187,328	506,017	21,114	113,715	178	828,352	1,988	14,847	845,187
Conferences and meetings	1,933	38,446	3,797	32,769	(61,026)	15,919	11,102	55,521	82,542
Other (taxes, licenses and dues)	-	6,467	2,513	4,023	-	13,003	908	208,297	222,208
Interest	-	-	-	-	-	-	-	98,776	98,776
Depreciation	799,322	2,792,318	450,557	465,621	15,522	4,523,340	11,830	371,113	4,906,283
	\$ 34,394,668	\$ 139,393,730	\$ 7,275,037	\$ 19,263,145	\$ 796,782	\$ 201,123,362	\$ 1,415,648	\$ 10,495,685	\$ 213,034,695

See accompanying notes to consolidated financial statements.

GOODWILL INDUSTRIES OF SOUTHERN CALIFORNIA AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2014

	Program Services					Support Services			Total Expenses
	Material Handling	Stores	Contract Services	Workforce Development	Food Service	Total	Fundraising	General Administrative	
Salaries and wages	\$ 15,678,868	\$ 21,215,503	\$ 3,875,623	\$ 12,064,314	\$ 577,994	\$ 53,412,302	\$ 676,944	\$ 5,847,453	\$ 59,936,699
Payroll taxes	1,174,313	1,531,262	289,231	893,838	42,280	3,930,924	47,499	360,866	4,339,289
Employee benefits	3,707,845	5,767,669	870,444	2,543,765	126,136	13,015,859	169,851	1,274,960	14,460,670
Total salaries and related expenses	20,561,026	28,514,434	5,035,298	15,501,917	746,410	70,359,085	894,294	7,483,279	78,736,658
Contributed goods - cost of goods sold	-	69,960,893	-	-	-	69,960,893	-	-	69,960,893
Rents	8,300,509	15,037,036	7,655	415,747	-	23,760,947	-	-	23,760,947
Professional fees and services	1,438,381	3,690,186	268,229	1,778,486	51,234	7,226,516	270,762	6,429,168	13,926,446
Occupancy	1,690,862	5,057,019	515,172	2,017,235	140,768	9,421,056	85,702	870,690	10,377,448
Transportation	2,528,594	142,454	366,438	194,895	1,526	3,233,907	3,382	27,653	3,264,942
Supplies	386,885	1,838,483	380,395	273,700	502,749	3,382,212	7,593	261,386	3,651,191
Utilities	904,982	1,857,099	-	108,070	-	2,870,151	-	-	2,870,151
Printing, publications and media	63,628	1,735,060	61,772	82,253	8,105	1,950,818	22,173	130,630	2,103,621
Postage and shipping	30,728	1,258,090	18,750	5,783	-	1,313,351	358,199	20,979	1,692,529
Trash disposal	-	1,686,402	248	-	-	1,686,650	-	-	1,686,650
Insurance	439,236	470,972	127,386	118,823	6,155	1,162,572	6,828	158,866	1,328,266
Telephone	184,086	517,506	21,144	140,324	544	863,604	3,983	18,889	886,476
Repairs and maintenance	305,885	530,514	17,045	4,405	4,967	862,816	-	2,224	865,040
Conferences and meetings	1,288	20,521	1,177	43,740	(62,570)	4,156	8,261	59,713	72,130
Other (taxes, licenses and dues)	1,910	15,448	3,416	6,154	-	26,928	1,506	226,819	255,253
Interest	-	-	-	-	-	-	-	6,223	6,223
Depreciation	571,907	3,080,136	353,814	436,574	25,686	4,468,117	29,733	339,597	4,837,447
	\$ 37,409,907	\$ 135,412,253	\$ 7,177,939	\$ 21,128,106	\$ 1,425,574	\$ 202,553,779	\$ 1,692,416	\$ 16,036,116	\$ 220,282,311

See accompanying notes to consolidated financial statements.

GOODWILL INDUSTRIES OF SOUTHERN CALIFORNIA AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Changes in net assets	\$ (10,837,632)	\$ (13,676,371)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization	4,906,283	4,837,447
Recognize deferred gain with sale leaseback	(344,001)	(344,002)
Loss on sale of plant property and equipment	135,740	166,986
Net realized and unrealized gains and losses on investments	348,924	(885,478)
Contributions for permanent endowment	(20,000)	(10,000)
Contributions for capital expenditures	(31,714)	(357,164)
Payment of pledges receivable	142,879	197,771
Forgiveness of long-term debt	-	(140,000)
Changes in assets and liabilities:		
Accounts receivable, net	(389,538)	2,654,635
Inventory	3,740,817	(2,738,021)
Prepaid expenses and deposits	262,818	(295,719)
Accounts payable and accrued liabilities	992,694	2,449,954
Accrued compensation and related expense	(2,216,029)	(495,822)
Accrued insurance claims	225,645	3,241,596
Deferred rent from construction allowance	(346,226)	33,519
Net cash used in operating activities	(3,429,340)	(5,360,669)
Cash flows from investing activities:		
Cash (expended) intended for property improvements	(158,668)	3,004,457
Proceeds from sale of property, plant and equipment	-	910,702
Purchases of property, plant and equipment	(859,330)	(8,354,254)
Proceeds from sale of investments	1,850,367	5,574,225
Purchases of investments	(1,933,591)	(5,016,711)
Net cash used in investing activities	(1,101,222)	(3,881,581)
Cash flows from financing activities:		
Contributions for permanent endowment	20,000	10,000
Contributions restricted for capital expenditures	31,714	357,164
Borrowing Line of Credit	1,500,000	2,000,000
Repayment Line of Credit	(3,500,000)	-
Borrowing Term Loan	10,000,000	-
Repayment Term Loan	(99,004)	-
Net cash provided by financing activities	7,952,710	2,367,164
Net increase (decrease) in cash and cash equivalents	3,422,148	(6,875,086)
Cash and cash equivalents at beginning of year	6,922,338	13,797,424
Cash and cash equivalents at end of year	\$ 10,344,486	\$ 6,922,338
Supplemental cash flow information:		
Cash paid for interest	\$ 98,776	\$ 6,223

See accompanying notes to consolidated financial statements.

GOODWILL INDUSTRIES OF SOUTHERN CALIFORNIA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 AND 2014

NOTE 1 – ORGANIZATION

General: Goodwill Industries of Southern California (“Goodwill” or the “Organization”) was incorporated in 1919. Goodwill is a tax-exempt 501(c)(3) public charity, incorporated under the laws of the State of California as a non-profit public benefit corporation. The mission of Goodwill is to transform lives through the power of work. Goodwill serves people with disabilities or other vocational challenges, as well as businesses, by providing education, training, work experience and job placement services. Goodwill operates a network of retail stores and attended donation centers and provides contractual services such as assembly and fulfillment, secure document management, e-recycling, custodial and building services, and workforce development programs in Los Angeles, San Bernardino, and Riverside counties.

Formation of Goodwill Retail Services: In March 2011, Goodwill’s Board of Directors authorized the creation of Goodwill Retail Services (“GRS”) as a supporting organization under Section 509(a)(3) of the Internal Revenue Code. GRS’s purpose is to support, benefit and carry out the purposes of Goodwill. Its specific purpose is to provide staffing services in the retail stores operated by Goodwill. GRS was incorporated on April 4, 2011 and received its tax exempt status determination letter as a 501(c)(3) supporting organization from the Internal Revenue Service on April 20, 2012. As the supported organization, Goodwill controls GRS, and the financial statements of the two entities are consolidated.

Goodwill Housing of the Inland Counties: In 2003, the Organization merged with Goodwill Industries of the Inland Counties. As part of the merger, the Organization became the sponsor of Goodwill Housing of the Inland Counties (“GHIC”). GHIC was a separate unconsolidated non-profit organization that owned an apartment building operated pursuant to Section 202 of the Housing Act of 1959, as amended. In March 2014, the Housing of Urban Development (“HUD”) approved the sale of substantially all the assets owned by GHIC to an unrelated third party, and GHIC ceased to be subject to the control of HUD. Members of the Board of Directors of GHIC are appointed by the Organization. Additionally, the Organization has economic interest in GHIC, and therefore the remaining assets of GHIC are included in the consolidated financial statements of the Organization.

Program Services:

Material Handling – These services include the collection, transportation, sorting, and processing of contributed goods, most of which are made available for sale through Goodwill’s network of stores, clearance centers and e-commerce operations. Material handling creates employment for persons with disabilities and other barriers to employment.

Stores – Goodwill operates over 78 stores where contributed goods are available to the public. Persons with disabilities or other vocational challenges work alongside traditional employees to provide the consumer with a positive shopping experience. The proceeds from store sales are used to support unfunded or partially funded program services in addition to capital and administrative expenses for the Organization.

Contract Services – Persons with disabilities and other vocational challenges work in closely supervised teams to provide electronics recycling, shredding, document imaging, custodial services, and assembly and fulfillment services to the local business community.

Workforce Development – There are over 70 program activities to provide education, training, placement and other vocational support for target populations including people with disabilities, at-risk youth, the working poor, ex-offenders, and veterans. These programs are funded through reimbursement, fee for service arrangements and private support. Workforce development also includes the operation of several career centers that provide job listings, resume assistance, telephone and computer services for all job seekers.

(Continued)

GOODWILL INDUSTRIES OF SOUTHERN CALIFORNIA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 AND 2014

NOTE 1 – ORGANIZATION (Continued)

Food Service – Food service programs offer the opportunity for vocational training in addition to convenience for employees, participants and visitors to the cafeteria facility.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Reporting: The accompanying consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”). All significant intercompany transactions have been eliminated.

The Organization reports its consolidated financial position and activities into three net asset categories according to the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein, are classified and reported as follows (see Note 8):

- *Unrestricted Net Assets* – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated by the Board either for specific purposes or for investment.
- *Temporarily Restricted Net Assets* – Net assets subject to donor-imposed stipulations that may, or will be, met by either actions of the Organization, and/or, the passage of time.
- *Permanently Restricted Net Assets* – Net assets subject to donor-imposed stipulations that they must be maintained in perpetuity. Generally, the donors of these assets permit the Organization to use all or part of the income earned on the related investments for general or specific purposes.

Revenues Recognition: Goodwill recognizes revenues from sales from stores and commodities sales at the time goods are sold. Contract sales are recognized when services have been provided. Workforce development fees are earned based on agreed rates for services provided or, in the case of government grants, reimbursed based on allowable costs expended for program services.

Contributions, including unconditional promises to give, are recognized when made. Donated goods revenue and donated goods inventory are recorded at fair value based on the estimated value of the inventory at selling price. The fair value is derived from sales value less the cost to bring the product to market.

Cash and Cash Equivalents: Cash and cash equivalents include short-term, highly liquid investments with an original maturity of three months or less at the time of purchase. Cash and cash equivalents representing assets held as endowment and as charitable gift annuities are included within investments. Cash equivalents are reported at cost, which approximates fair value.

Concentrations of Credit Risk: The Organization has cash balances that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance coverage. The Organization has not experienced and does not anticipate any losses related to cash held in these accounts.

(Continued)

GOODWILL INDUSTRIES OF SOUTHERN CALIFORNIA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 AND 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable: Accounts receivable are comprised of grants and contracts receivable from the federal, state and local government and customer obligations due under normal trade terms requiring payment within 30 – 90 days from the invoice date. Management analyzes the collectability of these receivables and establishes an allowance for doubtful accounts that reflects its best estimate of the amounts that will not be collected. The allowance for doubtful accounts is determined by a monthly and annual review of account balances, including the age of the balance and historical collection experience. Uncollectible receivables are charged to the allowance. An expense is recorded at the time the allowance is adjusted. Management has determined substantially all government receivables are fully collectible, but has provided an allowance for approximately \$77,000 and \$55,000 for customer obligations at December 31, 2015 and 2014, respectively.

Contributions Receivable: The Organization records contributions receivable, net of allowances for estimated uncollectible amounts, when there is sufficient evidence in the form of verifiable documentation that an unconditional promise to give was received. No allowance is recorded for estimated uncollectible contributions receivable at December 31, 2015 or 2014. Multi-year contributions are recorded at fair value at the date of the contribution. Conditional promises to give are recognized only when the conditions on which they depend are substantially met. Contributions receivable is reported within other receivables on the consolidated statements of financial position (see Note 5).

Investments: The Organization’s investment policy is to adhere to high standards of quality in the selection of all types of investments, with reasonable diversification to be maintained at all times. Marketable securities are held by one independent custodian. The Organization has not experienced and does not anticipate any adverse impact to the investments as a result of this concentration. The fair value of investments in securities traded on national securities exchanges are valued at the closing price on the last business day of the fiscal year; securities traded on the over-the-counter market are valued at the last reported bid price.

Securities transactions are recorded on a trade-date basis. Dividend income is recorded as of the ex-dividend date, and interest income is recorded as earned using the accrual basis. Net realized and unrealized gains and losses on investments include realized and unrealized gains and losses on investments held or sold during the year. Investment income is recognized as a component of unrestricted net assets, unless its use is temporarily or permanently restricted by donors for a specified purpose or future period.

Property, Plant and Equipment: Property, plant and equipment used in the operations of the Organization are stated at cost or, if donated, at the fair value at the date of contribution. Property, plant and equipment with a cost of at least \$5,000 and a useful life of three years or more is capitalized. Depreciation and amortization on both purchased and donated items are recorded using the straight-line method over the shorter of the estimated useful life of the related asset or the term of the lease for leasehold improvements as follows:

Buildings and improvements	5 – 30 years
Fixtures and equipment	5 – 30 years
Transportation equipment	3 – 7 years

Normal repairs and maintenance are expensed as incurred, whereas significant charges that increase the fixed asset values or extend useful lives are capitalized and depreciated over the estimated useful lives of the related assets.

(Continued)

GOODWILL INDUSTRIES OF SOUTHERN CALIFORNIA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 AND 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenditures for fixed assets that are purchased with government funds are expensed when acquired because the grantor retains title to such assets.

Gains and losses are recognized in the consolidated statements of activities upon disposal of property and equipment. During the year ended December 31, 2012, the Organization entered into sale leaseback transactions on three properties, for which specific analysis has been performed and gains deferred (see Note 6).

Accounting for the Impairment of Long-Lived Assets and for the Disposal of Long-Lived Assets: The Organization reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of the property and equipment may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. During the years ended December 31, 2015 and 2014, there were no events or changes in circumstances indicating that the carrying amount of the property, plant and equipment may not be recoverable.

Split-Interest Agreements: The Organization is a beneficiary of irrevocable split-interest agreements, including charitable remainder trusts, perpetual trusts and gift annuities.

The charitable remainder trust agreements generally require the Organization to make annual payments to the trust beneficiaries based on stipulated payment rates, applied to the fair value of the trust assets as determined annually. The Organization uses an interest rate commensurate with the risks involved to discount the future payments and calculate the present value of the liability. A receivable net, of liability, is recorded in other receivables (Note 5) at the estimated fair value of the asset, net with the present value of the liability. A receivable is recorded in other receivables for the perpetual trusts at the estimated fair value of the amount held by the trustee that is due to the Organization.

The charitable gift annuities account invests funds contributed by individuals in exchange for a lifetime annuity paid by the Organization. Investments in this account are reported at fair value in investments (Note 4), and the liability associated with these annuities is reported within accounts payable and accrued liabilities on the consolidated statements of financial position.

The amortization of this discount and changes in assumptions are reflected in the consolidated statements of activities as realized and unrealized gains and losses (Note 3).

Donor-Restricted Contributions: Unconditional promises to give (contributions receivable) are recognized as contributions when received at their estimated fair value. Contributions are considered available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future period or by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

When a donor-imposed time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying consolidated statements of activities as net assets released from restrictions. Capital campaign contributions are considered temporarily restricted until the asset is placed into service.

(Continued)

GOODWILL INDUSTRIES OF SOUTHERN CALIFORNIA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 AND 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government and Other Grants: The Organization receives numerous grants from governmental agencies and certain foundations that are not considered contributions under GAAP. The Organization recognizes income from these grants as revenue and support only to the extent that expenditures have been made for the purposes specified by the grant agreement.

Advertising Expenses: Advertising costs are expensed as incurred. During 2015 and 2014, advertising costs were approximately \$1,128,000 and \$1,929,000, respectively, and are reported with printing, publication and media on the consolidated statements of functional expenses.

Functional Expenses: The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that are identified with a specific program or support service are charged directly according to their natural expenditure classification. Expenses that are common to specific programs or support services are allocated to those services based on estimated level of effort or level of use. Certain shared costs are allocated: Services related to information technology are allocated based on the number of computers for each program or support service. Occupancy and related costs for the Los Angeles, Valley, San Bernardino and Ontario campus are allocated based on the number of square feet used by program and support service departments.

Use of Estimates: The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and related disclosures at the date of the financial statements and the reported amounts of revenues, expenses and changes in net assets during the reporting period. While management believes that these estimates are adequate as of December 31, 2015 and 2014, it is possible that actual results could differ from those estimates, and the difference could be material to the consolidated financial statements.

Reclassifications: Certain items in the consolidated financial statements as of and for the year ended December 31, 2014 have been reclassified to conform to the presentation in the current period. In the prior year, certain revenues and expense related to the sales of electronics commodities were reported with contract services. The reclassifications did not affect the net assets of the Organization or the changes in net assets for the year ended December 31, 2014.

Income Tax Status: The Organization was organized pursuant to the General Nonprofit Corporation Law of the State of California. The Organization has been recognized by the Internal Revenue Service as an organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization has also been recognized by the California Franchise Tax Board as an organization that is exempt from California franchise and income taxes under Section 23701d of the California Revenue and Taxation Code and has qualified for the welfare exemption from certain general county real and personal property taxes. However, the Organization is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the consolidated financial statements taken as a whole.

(Continued)

GOODWILL INDUSTRIES OF SOUTHERN CALIFORNIA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 AND 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax positions taken related to the Organization's tax exempt status, unrelated business activities taxable income and deductibility of expenses and other miscellaneous tax positions have been reviewed, and management is of the opinion that material positions taken by the Organization would more likely than not be sustained by examination. Accordingly, the Organization has not recorded an income tax liability for uncertain tax benefits as of December 31, 2015 and 2014 nor does it expect there will be a material change in the twelve months following the year ended December 31, 2015. As of December 31, 2015, the Organization's tax years ended December 31, 2012 through December 31, 2015 remain subject to examination in the United States federal tax jurisdiction and the tax years ended December 31, 2011 through December 31, 2015 remain subject to examination in the California state tax jurisdiction.

Contributed Services: A substantial number of volunteers have donated significant amounts of time and services to the Organization's program operations and to its fundraising campaigns. Contributed services are recognized by the Organization if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The services donated are not reflected in the accompanying consolidated financial statements as an expense or as income from donations; such services do not meet the above criteria for recording under GAAP.

NOTE 3 – FAIR VALUE

For those assets and liabilities reported at fair value, the Organization has determined their placement in the fair value hierarchy based on the nature of inputs to determine the fair value and management's assessment of risk characteristics associated with these inputs. The Organization categorizes the financial assets and liabilities, based on the priority of inputs to the valuation technique, into three-tiered hierarchy as described below.

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities as of the reporting date. Level 1 investments include listed equities, listed fixed income securities, and certain mutual funds.

Level 2 – Observable inputs, other than Level 1 quoted prices, such as quoted prices for similar assets and liabilities, quoted prices in markets that are not active, or other inputs that are observable for the asset or liability either directly or indirectly. Investments in this category include corporate and government bonds, and certain money market funds. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3 – Unobservable inputs that are supportable by little or no market activity, which requires the Organization to develop its own assumptions. Investments that are included in this category include hedge funds and certain mutual funds. Contributions receivable from split-interest agreements are also included in this category.

The following methods and assumptions are used to estimate fair value:

Cash (Money Markets) - Money market mutual funds are reported at cost, which approximates fair value.

Mutual funds - Mutual funds held by the Organization are publicly traded and are valued at the closing price on the last business day of the fiscal year.

Other receivables - Other receivables (Note 5) include charitable remainder trusts and perpetual trusts administered by other trustees, which are valued based on estimates associated with life expectancy, investment return, future inflation, and cash flows associated with real estate and untraded securities.

(Continued)

GOODWILL INDUSTRIES OF SOUTHERN CALIFORNIA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 AND 2014

NOTE 3 – FAIR VALUE (Continued)

The following tables summarize the valuation of the Organization's investments and contributions receivable under split-interest agreements by fair value hierarchy levels as of December 31, 2015 and 2014.

<u>2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Money market funds	\$ -	\$ 2,043,999	\$ -	\$ 2,043,999
Mutual funds - equity				
Emerging Markets - Index	54,545	-	-	54,545
Small Cap - Index	454,526	-	-	454,526
Stock - Index	4,832,836	-	-	4,832,836
Global Stock - Index	459,018	-	-	459,018
Growth	1,556,710	-	-	1,556,710
Mutual funds - fixed income				
Global Bonds Index	1,267,042	-	-	1,267,042
Intermediate Bonds	5,219,676	-	-	5,219,676
Intermediate Bonds - Index	613,412	-	-	613,412
Bond Index	<u>804,258</u>	<u>-</u>	<u>-</u>	<u>804,258</u>
Total investments	15,262,023	2,043,999	-	17,306,022
Beneficial interests in trusts				
Perpetual trusts	-	-	288,197	288,197
Charitable remainder trusts	<u>-</u>	<u>-</u>	<u>497,192</u>	<u>497,192</u>
Total beneficial interests in trusts	<u>-</u>	<u>-</u>	<u>785,389</u>	<u>785,389</u>
Assets reported at fair value	<u>\$ 15,262,023</u>	<u>\$ 2,043,999</u>	<u>\$ 785,389</u>	<u>\$ 18,091,411</u>
<u>2014</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Money market funds	\$ -	\$ 2,012,360	\$ -	\$ 2,012,360
Mutual funds - equity				
Emerging Markets - Index	558,613	-	-	558,613
Small Cap - Index	530,719	-	-	530,719
Stock - Index	4,918,598	-	-	4,918,598
Global Stock - Index	1,537,547	-	-	1,537,547
Growth	1,625,309	-	-	1,625,309
Mutual funds - fixed income				
Global Bonds Index	1,253,735	-	-	1,253,735
Intermediate Bonds	3,673,653	-	-	3,673,653
Intermediate Bonds - Index	556,499	-	-	556,499
Bond Index	<u>905,690</u>	<u>-</u>	<u>-</u>	<u>905,690</u>
Total investments	15,560,363	2,012,360	-	17,572,723
Beneficial interests in trusts				
Perpetual trusts	-	-	314,787	314,787
Charitable remainder trusts	<u>-</u>	<u>-</u>	<u>469,601</u>	<u>469,601</u>
Total beneficial interests in trusts	<u>-</u>	<u>-</u>	<u>784,388</u>	<u>784,388</u>
Assets reported at fair value	<u>\$ 5,560,363</u>	<u>\$ 2,012,360</u>	<u>\$ 784,388</u>	<u>\$ 18,357,111</u>

(Continued)

GOODWILL INDUSTRIES OF SOUTHERN CALIFORNIA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 AND 2014

NOTE 3 – FAIR VALUE (Continued)

The Organization's policy is to recognize transfers in and out of Levels 1, 2, and 3 as of the end of the year. There has been no transfers between levels during 2015 or 2014. The changes in value of Level 3 assets are reported within realized and unrealized gains and losses in the consolidated statements of activities.

The following table summarizes the Organization's Level 3 reconciliation as of December 31, 2015 and 2014.

	<u>Charitable</u>	<u>Perpetual</u>	<u>Total</u>
Balance January 1, 2014	\$ 351,004	\$ 320,529	\$ 671,533
Increase: Change in Value	118,597	-	118,597
Decrease: Change in Value	<u>-</u>	<u>(5,742)</u>	<u>(5,742)</u>
Balance December 31, 2014	469,601	314,787	784,388
Increase: Change in Value	27,591	-	27,591
Decrease: Change in Value	<u>-</u>	<u>(26,590)</u>	<u>(26,590)</u>
Balance December 31, 2015	<u>\$ 497,192</u>	<u>\$ 288,197</u>	<u>\$ 785,389</u>

For the beneficial interest in the charitable remainder trusts and perpetual trusts, upon the death of the donors or other termination of the trusts as may be defined in the individual agreements, the remaining trust assets will be distributed by the Organization to itself and to other beneficiaries, as stipulated in the trust agreements.

NOTE 4 – INVESTMENTS

Investments consist of the following as of December 31:

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 2,043,999	\$ 2,012,360
Mutual funds - bond funds	7,904,388	6,389,577
Mutual funds - stock funds	<u>7,357,635</u>	<u>9,170,786</u>
	<u>\$ 17,306,022</u>	<u>\$ 17,572,723</u>

The uses of the investments as of December 31, are as follows:

	<u>2015</u>	<u>2014</u>
Charitable gift annuities	\$ 624,057	\$ 556,499
Board designated reserve	14,061,906	14,064,984
Endowment	<u>2,620,059</u>	<u>2,951,240</u>
	<u>\$ 17,306,022</u>	<u>\$ 17,572,723</u>

(Continued)

GOODWILL INDUSTRIES OF SOUTHERN CALIFORNIA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 AND 2014

NOTE 4 – INVESTMENTS (Continued)

The investments include the assets of the charitable gift annuities account, whose funds are contributed by individuals in exchange for a lifetime annuity paid by Goodwill. Investments in this account are regulated under the California Insurance Code and by the Department of Insurance. The liability associated with these annuities of approximately \$55,000 and \$60,000 as of December 31, 2015 and 2014, respectively, is reported within accounts payable and accrued liabilities in the consolidated statements of financial position. The board designated reserve is invested as “quasi-endowment” in a specially segregated account. These funds are eligible for use for purposes that are authorized by the Board.

Activity in the investments during the years ended December 31, was as follows:

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 17,572,723	\$ 17,357,614
Increases:		
Dividends and interest reinvested	346,321	377,740
Purchase of investments	<u>1,587,270</u>	<u>4,638,971</u>
	1,933,591	5,016,711
Decreases:		
Sales, redemptions and distributions	(1,850,367)	(5,574,225)
Realized gains	170,571	248,437
Unrealized (loss) gains	<u>(520,496)</u>	<u>524,186</u>
Realized and unrealized gains	<u>(349,925)</u>	<u>772,623</u>
Balance, end of year	<u>\$ 17,306,022</u>	<u>\$ 17,572,723</u>

Information about the cost basis is as follows:

	<u>Cost Basis</u>	<u>Fair Value</u>
Investments 2015	<u>\$ 15,252,573</u>	<u>\$ 17,306,022</u>
Investments 2014	<u>\$ 15,015,778</u>	<u>\$ 17,572,723</u>

Information about realized and unrealized gains and losses during the years ended December 31, is as follows:

	<u>2015</u>	<u>2014</u>
From investments	\$ (349,925)	\$ 772,623
From remainder trust	27,591	118,597
From perpetual trust	<u>(26,590)</u>	<u>(5,742)</u>
	<u>\$ (348,924)</u>	<u>\$ 885,478</u>

(Continued)

GOODWILL INDUSTRIES OF SOUTHERN CALIFORNIA AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 For the Years Ended December 31, 2015 AND 2014

NOTE 5 – OTHER RECEIVABLES

Other receivables include the following as of December 31:

	<u>2015</u>	<u>2014</u>
Pledges receivable	\$ 892,538	\$ 1,035,417
Remainder trusts	497,192	469,601
Perpetual trusts beneficial interest	<u>288,197</u>	<u>314,787</u>
Total other receivables	<u>\$ 1,677,927</u>	<u>\$ 1,819,805</u>

Charitable remainder trusts and beneficial interest of perpetual trusts are presented at fair value based on significant unobservable inputs and accordingly are categorized as Level 3, whose activities are disclosed in Note 3. The beneficial interest in charitable remainder and perpetual trusts is distributed by the Organization as stipulated in the trust agreements.

Activity of contributions receivable during the years ended December 31, was as follows:

	<u>2015</u>	<u>2014</u>
Beginning balance:	\$ 1,035,417	\$ 1,233,188
Increase: New contributions receivable	956,397	816,632
Decrease: Pledge payments	<u>(1,099,276)</u>	<u>(1,014,403)</u>
Ending balance:	<u>\$ 892,538</u>	<u>\$ 1,035,417</u>

Repayment schedule of contributions receivable are as follows as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Less than one year	\$ 892,538	\$ 785,417
Between one year and three years	<u>-</u>	<u>250,000</u>
Pledges receivable, net	<u>\$ 892,538</u>	<u>\$ 1,035,417</u>

(Continued)

GOODWILL INDUSTRIES OF SOUTHERN CALIFORNIA AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 For the Years Ended December 31, 2015 AND 2014

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following as of December 31:

	<u>2015</u>	<u>2014</u>
Land	\$ 2,114,814	\$ 2,144,814
Buildings and improvements	42,231,528	42,060,946
Fixtures and equipment	21,006,457	20,905,807
Transportation equipment	2,598,864	2,534,685
Construction in progress	<u>70,758</u>	<u>56,807</u>
	\$ 68,022,421	\$ 67,703,059
Less: Accumulated depreciation	<u>(37,211,717)</u>	<u>(32,709,662)</u>
	<u>\$ 30,810,704</u>	<u>\$ 34,993,397</u>

Depreciation expense for the years ended December 31, 2015 and 2014 was approximately \$ 4,906,000 and \$4,837,000, respectively.

Construction Allowance: The Organization has several lease arrangements that provide for the payment of a construction allowance. The costs of improvement are included with property, plant and equipment. Typically the construction allowance is repaid when the building is opened for occupancy. The value of the allowance is amortized over the life of the lease.

The unamortized value of the construction allowance is reported in the consolidated statements of financial position as deferred rent – construction allowance as of December 31:

	<u>2015</u>	<u>2014</u>
Construction allowance	\$ 3,995,085	\$ 3,958,795
Deferred rent recognized	<u>(1,027,157)</u>	<u>(644,641)</u>
	<u>\$ 2,967,928</u>	<u>\$ 3,314,154</u>

(Continued)

GOODWILL INDUSTRIES OF SOUTHERN CALIFORNIA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 AND 2014

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT (Continued)

Sale Leaseback Transaction: During 2012, the Organization sold its real estate investments in three of its properties for approximately \$6,996,000. After the sale, the Organization leased back the three buildings under 15 year lease agreements. In accordance with GAAP, the Organization accounted for the transaction as a sale-leaseback and deferred a portion of the gain on the sale equal to the net present value of the Organization's future minimum lease payments of approximately \$5,700,000. The deferred gain is being amortized on a straight line basis over the 15 year life of the lease. This amount is reported as a reduction of rent expense in each year.

The unamortized gain is reported in the consolidated statements of financial position as deferred gain on sale leaseback as of December 31:

	<u>2015</u>	<u>2014</u>
Unrecognized gain	\$ 5,699,806	\$ 5,699,806
Sale leaseback deferred rent recognized	<u>(1,175,339)</u>	<u>(831,338)</u>
	<u>\$ 4,524,467</u>	<u>\$ 4,868,468</u>

The amortization of the deferred gain based on minimum rents is as follows:

2016	\$ 344,001	\$ 344,003
2017	358,516	344,003
2018	378,839	344,003
2019	378,839	344,003
2020	378,839	344,003
Thereafter	<u>2,685,433</u>	<u>3,148,453</u>
	<u>\$ 4,524,467</u>	<u>\$ 4,868,468</u>

NOTE 7 – DEBT

During the current year, the Organization renegotiated borrowing facilities with a commercial bank. The current arrangement provides for a term loan for \$10,000,000 and, once that is extended, access to a revolving line-of-credit for \$5,000,000. The term loan requires payment of principal and interest monthly through September 30, 2020 when the remaining principal balance plus any interest is due. The revolving line-of-credit expires August 31, 2016. Both the term loan and the revolving line-of-credit are collateralized by real property. The interest rate on the term loan is the LIBOR daily floating rate plus 2.12% (2.54% at December 31, 2015). The interest rate on the revolving line-of-credit is the LIBOR daily floating rate plus 1.5% (1.92% at December 31, 2015). In September the term loan was extended for \$10,000,000. At December 31, 2015, \$9,900,996 was outstanding on the term loan. At December 31, 2015, the revolving line-of-credit was unused.

(Continued)

GOODWILL INDUSTRIES OF SOUTHERN CALIFORNIA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 AND 2014

NOTE 7 – DEBT (Continued)

Principal payments to be made for the next five years and thereafter as of December 31, 2015 are as follows:

2016		\$	398,524		
2017			408,459		
2018			418,147		
2019			427,931		
2020			326,324		
Thereafter			7,921,611		
					\$ 9,900,996

Previously, the Organization had two credit facilities available with a commercial bank: A \$6,000,000 working capital line-of-credit collateralized by equipment, accounts receivable and inventory and a \$3,000,000 line-of-credit for retail expansion collateralized by real property. The interest rate was the LIBOR daily floating rate plus 1.5%. During the year, \$3,500,000 was borrowed on the line-of-credit. These arrangements expired September 30, 2015.

During 2014, \$2,000,000 was borrowed on the working capital line-of-credit. As of December 31, 2014, \$2,000,000 was outstanding. The interest rate was the BBA LIBOR daily floating rate plus 1.5% (1.67% as of December 31, 2014). These arrangements expired September 30, 2015.

The terms of the credit facilities require the Organization to meet or exceed certain ratios and to communicate financial activity on a regular basis. The Organization received a waiver of specified defaults related to the credit facilities for the years ended December 31, 2015 and 2014.

The bank has issued a waiver to the credit facilities on May 6, 2016. The bank waived, on a one-time basis the breach of the debt service coverage ratio for the fiscal quarters ended December 31, 2015 and March 31, 2016.

NOTE 8 – NET ASSETS

Unrestricted Net Assets: At December 31, unrestricted and board-designated net assets are as follows:

	<u>2015</u>	<u>2014</u>
Unrestricted Net Assets		
Board designated reserve	\$ 815,996	\$ -
Invested in property, plant and equipment	20,909,707	34,993,397
Board designated	21,725,703	34,993,397
Undesignated deficit	-	(1,841,876)
Unrestricted net assets	\$ 21,725,703	\$ 33,151,521

(Continued)

GOODWILL INDUSTRIES OF SOUTHERN CALIFORNIA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 AND 2014

NOTE 8 – NET ASSETS (Continued)

Temporarily Restricted Net Assets: Activity in temporarily restricted net assets during the years ended December 31, 2015 and 2014 was as follows:

	Balance December 31, <u>2014</u>	Contributions and other <u>Increases</u>	Release from <u>Restrictions</u>	Balance December 31, <u>2015</u>
Capital campaign	\$ 601,500	\$ 31,714	\$ (383,214)	\$ 250,000
Program services	2,077,698	1,674,364	(1,289,628)	2,462,434
Charitable remainder trusts	469,601	27,591	-	497,192
Unexpended endowment	<u>-</u>	<u>533,949</u>	<u>-</u>	<u>533,949</u>
Temporarily restricted net assets	<u>\$ 3,148,799</u>	<u>\$ 2,267,618</u>	<u>\$ (1,672,842)</u>	<u>\$ 3,743,575</u>

	Balance December 31, <u>2013</u>	Contributions and other <u>Increases</u>	Release from <u>Restrictions</u>	Balance December 31, <u>2014</u>
Capital campaign	\$ 1,491,204	\$ 729,032	\$ (1,618,736)	\$ 601,500
Program services	1,783,267	1,498,165	(1,203,734)	2,077,698
Charitable remainder trusts	<u>351,004</u>	<u>118,597</u>	<u>-</u>	<u>469,601</u>
Temporarily restricted net assets	<u>\$ 3,625,475</u>	<u>\$ 2,345,794</u>	<u>\$ (2,822,470)</u>	<u>\$ 3,148,799</u>

	<u>2015</u>	<u>2014</u>
Purpose restrictions	\$ 2,462,434	\$ 1,563,331
Time restrictions	747,192	1,585,468
Unexpended endowment	<u>533,949</u>	<u>-</u>
Temporarily restricted net assets	<u>\$ 3,743,575</u>	<u>\$ 3,148,799</u>

Net assets were released from donor restrictions during the year ended December 31, as follows:

	<u>2015</u>	<u>2014</u>
Passage of time available to support operations and programs	\$ 1,289,628	\$ 1,203,734
Completion of construction or acquisition of property and equipment	<u>383,214</u>	<u>1,618,736</u>
	<u>\$ 1,672,842</u>	<u>\$ 2,822,470</u>

(Continued)

GOODWILL INDUSTRIES OF SOUTHERN CALIFORNIA AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 For the Years Ended December 31, 2015 AND 2014

NOTE 8 – NET ASSETS (Continued)

Permanently Restricted Net Assets: Permanently restricted net assets are held by the Organization for investment in perpetuity. Donors have specified that income from these investments is expendable to support activities of the Organization. Substantially all permanently restricted net assets consist of investments, investments held in trust under split-interest agreements and contributions receivable under split-interest agreements.

At December 31, permanently restricted net assets are as follows:

	<u>2015</u>	<u>2014</u>
Permanently Restricted Net Assets		
Perpetual trusts	\$ 288,197	\$ 314,787
Named endowments	<u>2,086,110</u>	<u>2,066,110</u>
Permanently restricted net assets	<u>\$ 2,374,307</u>	<u>\$ 2,380,897</u>

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Leases: The Organization leases certain stores, facilities and office and transportation equipment. The leases have various expiration dates through 2027. Minimum annual rental payments, excluding any future inflation adjustments, are as follows:

2016	\$ 22,695,362
2017	20,496,357
2018	18,700,489
2019	13,550,158
2020	9,748,235
Thereafter	<u>20,629,962</u>
	<u>\$ 105,820,563</u>

Rental expense for the years ended December 31, 2015 and 2014 was approximately \$24,963,000 and \$23,761,000, respectively.

Sublease Rental Income: In 2015, the Organization entered into agreements with non-profit organizations to provide subleased space in a facility in Los Angeles. Minimum annual rental payments excluding any future inflation adjustments are as follows:

2016	\$ 98,904
2017	100,882
2018	102,900
2019	104,958
2020	<u>18,327</u>
	<u>\$ 425,971</u>

(Continued)

GOODWILL INDUSTRIES OF SOUTHERN CALIFORNIA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 AND 2014

NOTE 9 – COMMITMENTS AND CONTINGENCIES (Continued)

Rental revenue from sublease rents during the year ended December 31, 2015 was approximately \$106,000. There was no rental revenue from sublease rents in 2014.

Litigation: In the normal course of operations, the Organization is named as defendant in lawsuits and is subject to periodic examinations by regulatory agencies. After consultation with legal counsel, management is of the consolidated opinion that any liabilities arising from such litigation and examinations have been properly reported in the consolidated statement of financial position with accounts payable and accrued liabilities.

Environmental Matter: An adjoining property owner has alleged that contamination at one of their properties was caused by operations taking place at one of the Organization's sites. The ultimate outcome of this uncertainty cannot presently be determined, and management believes that any liability, if determined, will not have a material adverse impact in the Organization's consolidated financial condition.

Government Grants: Certain programs of the Organization receive funding and support from the local, state or federal governments. Accordingly, these programs are subject to audit that could result in adjustments. Management believes that liabilities, if any, resulting from any such audits will not have a material effect on the consolidated financial statements.

NOTE 10 – RETIREMENT PLAN

The Organization has a 403(b) Retirement Plan ("Plan") for the benefit of its employees. All employees are eligible to make contributions from their pre-tax salary. At the discretion of management, and after one year of service, certain full-time employees receive an employer contribution of 5% of eligible compensation. The employer contribution was discontinued November 1, 2014. Participants are fully vested in their own contributions. Employees are vested in the employer contributions as follows:

<u>Years of service</u>	<u>% Vested</u>
2	25%
3	50%
4	75%
5 or more	100%

For the year ended December 31, 2015 the Organization did not contribute to the plan. In 2014, the Organization contributed approximately \$865,000 to the Plan.

In addition, the Organization has a Supplemental Executive Retirement Plan ("SERP") for certain executives. For the years ended December 31, 2015 and 2014, the Organization contributed approximately \$27,000 and \$220,000, respectively, to the SERP.

NOTE 11 – SELF-INSURANCE

The Organization has elected not to pay state unemployment insurance ("SUI") taxes and, instead, is charged for its share of unemployment benefits actually paid by the State of California to former employees.

(Continued)

GOODWILL INDUSTRIES OF SOUTHERN CALIFORNIA AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 For the Years Ended December 31, 2015 AND 2014

NOTE 11 – SELF-INSURANCE (Continued)

The Organization is self-insured under its worker's compensation insurance program. Excess policies provide insurance coverage on individual claims which exceed specified amounts. Each year, the Organization estimates its liability for any claims outstanding, including claims incurred but not reported. The ultimate liability for claims is estimated based on historical data related to the timing and nature of claims paid and current payroll data. The worker's compensation accrual has been discounted with a rate of 3%. The undiscounted amount of the liability was \$13,436,409 as of December 31, 2015.

Accrued insurance claims reported in the consolidated statements of financial position include estimated obligations for state unemployment insurance and worker's compensation.

The estimated claims payable and changes in the claims payable amount for fiscal years 2015 and 2014 are listed below:

<u>2015</u>	<u>Worker's Compensation</u>	<u>CA SUI</u>	<u>Insurance Claims</u>
Claims payable at beginning of year	\$ 12,223,187	\$ 1,490,327	\$ 13,713,514
Claims incurred/changes in estimate	7,138,241	1,187,726	8,325,967
Claim payments	<u>(6,966,021)</u>	<u>(1,134,301)</u>	<u>(8,100,322)</u>
	<u>\$ 12,395,407</u>	<u>\$ 1,543,752</u>	<u>\$ 13,939,159</u>

<u>2014</u>	<u>Worker's Compensation</u>	<u>CA SUI</u>	<u>Insurance Claims</u>
Claims payable at beginning of year	\$ 9,494,809	\$ 977,109	\$ 10,471,918
Claims incurred/changes in estimate	9,404,875	1,679,337	11,084,212
Claim payments	<u>(6,676,497)</u>	<u>(1,166,119)</u>	<u>(7,842,616)</u>
	<u>\$ 12,223,187</u>	<u>\$ 1,490,327</u>	<u>\$ 13,713,514</u>

NOTE 12 – ENDOWMENTS

The Organization's endowment consists of individual funds established for a variety of purposes. The net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (c) the fair value of the Organization's interest in split interest agreements at the time of termination of the trust as stipulated by the trust agreement to be permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

(Continued)

GOODWILL INDUSTRIES OF SOUTHERN CALIFORNIA AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 For the Years Ended December 31, 2015 AND 2014

NOTE 12 – ENDOWMENTS (Continued)

Additionally, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The mission of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The Organization’s investment policies

Investment Return Objectives, Risk Parameters and Strategies: The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve investment income with minimum risk. Endowment assets are invested in mutual funds.

Spending Policy: Although UPMIFA permits a more aggressive spending policy, funds will only be transferred out of the endowment fund when approved specifically by the finance committee provided that this is consistent with the wishes of the donors.

Endowment Net Asset Composition by Type of Fund: For the year ended December 31, 2015 endowment net assets have been classified as follows:

<u>2015</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment</u>
Board designated reserve	\$ 14,061,906	\$ -	\$ -	\$ 14,061,906
Perpetual trusts	-	-	288,197	288,197
Named endowments	-	-	2,086,110	2,086,110
Subtotal	14,061,906	-	2,374,307	16,436,213
Reclassification of prior year unexpended and unappropriated earnings	(533,949)	533,949	-	-
Release from designation	(12,711,961)	-	-	(12,711,961)
	<u>\$ 815,996</u>	<u>\$ 533,949</u>	<u>\$ 2,374,307</u>	<u>\$ 3,724,252</u>

(Continued)

GOODWILL INDUSTRIES OF SOUTHERN CALIFORNIA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 AND 2014

NOTE 12 – ENDOWMENTS (Continued)

Named investment endowments are as follows:

<u>2015</u>	<u>Unexpended Earning and Appreciation</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Lawrence Page	\$ -	\$ 10,700	\$ 33,700	\$ 44,400
Garret Family	-	97,548	384,139	481,687
Ludwig EG Erb	-	418,029	1,628,021	2,046,050
Thomas Barry	-	8	30,000	30,008
Capital Campaign	-	7,664	10,250	17,914
	<u>\$ -</u>	<u>\$ 533,949</u>	<u>\$ 2,086,110</u>	<u>\$ 2,620,059</u>

For the year ended December 31, 2014 endowment net assets have been classified as follows:

<u>2014</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment</u>
Board designated reserve	\$ 14,064,984	\$ -	\$ -	\$ 14,064,984
Perpetual trusts	-	-	314,787	314,787
Named endowments	<u>885,130</u>	<u>-</u>	<u>2,066,110</u>	<u>2,951,240</u>
Subtotal	14,950,114	-	2,380,897	17,331,011
Release from designation	<u>(14,950,114)</u>	<u>-</u>	<u>-</u>	<u>(14,950,114)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,380,897</u>	<u>\$ 2,380,897</u>

Named investments endowments are as follows:

<u>2014</u>	<u>Unexpended Earning and Appreciation</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Lawrence Page	\$ 16,538	\$ -	\$ 33,700	\$ 50,238
Garret Family	163,340	-	384,139	547,479
Ludwig EG Erb	697,470	-	1,628,021	2,325,491
Thomas Barry	-	-	10,000	10,000
Capital Campaign	<u>7,782</u>	<u>-</u>	<u>10,250</u>	<u>18,032</u>
	<u>\$ 885,130</u>	<u>\$ -</u>	<u>\$ 2,066,110</u>	<u>\$ 2,951,240</u>

(Continued)

GOODWILL INDUSTRIES OF SOUTHERN CALIFORNIA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 AND 2014

NOTE 12 – ENDOWMENTS (Continued)

Changes in Endowment Net Assets during the Year:

Activity in the endowments during the year was as follows:

2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment</u>
Balance December 31, 2014	\$ -	\$ -	\$ 2,380,897	\$ 2,380,897
Contributions	-	-	20,000	20,000
Dividends and interest	326,367	-	-	326,367
Realized and unrealized gains	(336,676)	-	(26,590)	(363,266)
Distribution and Expense	(343,950)	-	-	(343,950)
Unexpended and unappropriated	<u>(533,949)</u>	<u>533,949</u>	<u>-</u>	<u>-</u>
	(888,208)	533,949	2,374,307	2,020,048
Designated Endowment	<u>1,704,204</u>	<u>-</u>	<u>-</u>	<u>1,704,204</u>
Balance December 31, 2015	<u>\$ 815,996</u>	<u>\$ 533,949</u>	<u>\$ 2,374,307</u>	<u>\$ 3,724,252</u>

2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment</u>
Balance December 31, 2013	\$ 14,392,400	\$ -	\$ 2,376,639	\$ 16,769,039
Contributions	-	-	10,000	10,000
Dividends and interest	362,847	-	-	362,847
Realized and unrealized gains	753,246	-	(5,742)	747,504
Distribution and Expense	<u>(985,254)</u>	<u>-</u>	<u>-</u>	<u>(985,254)</u>
	14,523,239	-	2,380,897	16,904,136
Release from Designation	<u>(14,523,239)</u>	<u>-</u>	<u>-</u>	<u>(14,523,239)</u>
Balance December 31, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,380,897</u>	<u>\$ 2,380,897</u>

(Continued)

GOODWILL INDUSTRIES OF SOUTHERN CALIFORNIA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 AND 2014

NOTE 13 – SUBSEQUENT EVENTS

The Organization evaluated its December 31, 2015 consolidated financial statements for subsequent events through May 9, 2016, the date the consolidated financial statements were available to be issued. The Organization is not aware of any additional subsequent events which would require recording or disclosure in the consolidated financial statements.

GOODWILL INDUSTRIES OF SOUTHERN CALIFORNIA AND AFFILIATES
SUPPLEMENTAL SCHEDULE – CLASSIFIED CONSOLIDATED STATEMENTS
OF FINANCIAL POSITION
As of December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Current assets		
Cash and cash equivalents	\$ 10,344,486	\$ 6,922,338
Cash and cash equivalents intended for improvements	745,604	586,936
Accounts and other receivables	4,782,435	4,285,776
Inventory	7,415,450	11,156,267
Prepaid expenses and deposits	<u>4,131,996</u>	<u>4,394,814</u>
Total current assets	27,419,971	27,346,131
Investments	17,306,022	17,572,723
Other receivables, net of current	785,389	1,034,388
Property, plant and equipment, net	<u>30,810,704</u>	<u>34,993,397</u>
Total assets	<u>\$ 76,322,086</u>	<u>\$ 80,946,639</u>
Current liabilities		
Accounts payable and accrued liabilities	\$ 12,571,587	\$ 11,578,893
Accrued compensation and related expenses	4,574,364	6,790,393
Current portion of note payable	9,900,996	-
Line of credit	-	2,000,000
Current portion of deferred gain	344,000	344,000
Current portion of deferred rent	296,792	331,415
Current portion of accrued insurance claims	<u>8,100,322</u>	<u>7,842,616</u>
Total current liabilities	35,788,061	28,887,317
Deferred gain	4,180,467	4,524,468
Deferred rent from construction allowance	2,671,136	2,982,739
Insurance claims estimated to be paid after one year	<u>5,838,837</u>	<u>5,870,898</u>
Total liabilities	48,478,501	42,265,422
Net assets		
Unrestricted	21,725,703	33,151,521
Temporarily restricted	3,743,575	3,148,799
Permanently restricted	<u>2,374,307</u>	<u>2,380,897</u>
Total net assets	<u>27,843,585</u>	<u>38,681,217</u>
Total liabilities and net assets	<u>\$ 76,322,086</u>	<u>\$ 80,946,639</u>

GOODWILL INDUSTRIES OF SOUTHERN CALIFORNIA AND AFFILIATES
SUPPLEMENTAL SCHEDULE – GSC, GRS AND GHIC STATEMENT
OF FINANCIAL POSITION
As of December 31, 2015

	Goodwill Southern California and Goodwill Retail Services	Goodwill of the Inland Counties	Consolidated Balance Sheet
ASSETS			
Cash and cash equivalents	\$ 10,344,486	\$ -	\$ 10,344,486
Cash and cash equivalents intended for improvements	508,116	237,488	745,604
Investments	17,306,022	-	17,306,022
Accounts receivable, net	3,889,897	-	3,889,897
Inventory	7,415,450	-	7,415,450
Prepaid expenses and deposits	4,131,996	-	4,131,996
Other receivables	1,677,927	-	1,677,927
Property, plant and equipment, net	<u>30,810,704</u>	<u>-</u>	<u>30,810,704</u>
 Total assets	 <u>\$ 76,084,598</u>	 <u>\$ 237,488</u>	 <u>\$ 76,322,086</u>
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued liabilities	\$ 12,571,587	\$ -	\$ 12,571,587
Accrued compensation and related expenses	4,574,364	-	4,574,364
Accrued insurance claims	13,939,159	-	13,939,159
Deferred gain on sale leaseback	4,524,467	-	4,524,467
Deferred rent - construction allowance	2,967,928	-	2,967,928
Note payable	<u>9,900,996</u>	<u>-</u>	<u>9,900,996</u>
 Total liabilities	 <u>48,478,501</u>	 <u>-</u>	 <u>48,478,501</u>
Net Assets			
Unrestricted	21,488,215	237,488	21,725,703
Temporarily restricted	3,743,575	-	3,743,575
Permanently restricted	<u>2,374,307</u>	<u>-</u>	<u>2,374,307</u>
 Total net assets	 <u>27,606,097</u>	 <u>237,488</u>	 <u>27,843,585</u>
 Total liabilities and net assets	 <u>\$ 76,084,598</u>	 <u>\$ 237,488</u>	 <u>\$ 76,322,086</u>