

P B T K

**PIERCY BOWLER
TAYLOR & KERN**

Certified Public Accountants
Business Advisors

**GOODWILL INDUSTRIES
OF SOUTHERN NEVADA, INC.**

**FINANCIAL STATEMENTS
AND REGULATORY REPORTS**

**FOR THE YEARS ENDED
DECEMBER 31, 2014 AND 2013**

**GOODWILL INDUSTRIES OF SOUTHERN NEVADA, INC.
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

Board of Directors
Goodwill Industries of Southern Nevada, Inc.
North Las Vegas, Nevada

We have audited the accompanying financial statements of the Goodwill Industries of Southern Nevada, Inc. (the Organization), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

An audit performed in accordance with applicable professional standards is a process designed to obtain reasonable assurance about whether the Organization's financial statements are free from material misstatement. This process involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements to enable the design of 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 the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the overall presentation of the financial statements.

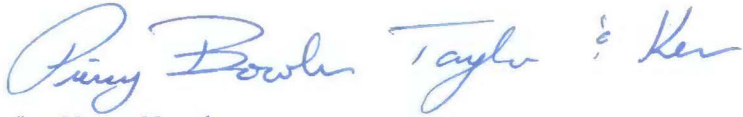
Management's Responsibility for the Financial Statements. Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance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

Auditors' Responsibility. Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Opinion. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of and for the years ended December 31, 2014 and 2013, and its changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*. In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2015, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Perry Bowler Taylor & Ken". The signature is written in a cursive, flowing style.

Las Vegas, Nevada
April 28, 2015

GOODWILL INDUSTRIES OF SOUTHERN NEVADA, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current assets		
Cash	\$ 942,271	\$ 804,540
Accounts receivable	169,124	139,937
Contracts receivable	104,337	88,001
Pledges receivable	5,000	
Grants receivable	149,936	314,755
Inventory	4,749,127	4,142,702
Prepaid expenses and other	120,697	137,629
	<u>6,240,492</u>	<u>5,627,564</u>
Property and equipment, net of accumulated depreciation	3,040,349	2,896,289
Certificate of deposit, restricted	500,000	500,000
Deposits	130,307	86,543
	<u>\$ 9,911,148</u>	<u>\$ 9,110,396</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 709,736	\$ 520,030
Accrued expenses	3,138,118	2,728,427
Lines of credit payable	1,105,655	863,410
Deferred gain on sale-leaseback	610,692	610,692
Long-term debt	130,202	177,112
	<u>5,694,403</u>	<u>4,899,671</u>
Long-term liabilities		
Deferred gain on sale-leaseback	3,918,608	4,529,300
Long-term debt	220,873	251,706
	<u>9,833,884</u>	<u>9,680,677</u>
Net assets (deficit)		
Unrestricted	47,177	(643,801)
Temporarily restricted	30,087	73,520
	<u>77,264</u>	<u>(570,281)</u>
	<u>\$ 9,911,148</u>	<u>\$ 9,110,396</u>

GOODWILL INDUSTRIES OF SOUTHERN NEVADA, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
Changes in unrestricted net assets		
Revenues and gains		
Contributions	\$ 949,314	\$ 1,022,502
Grants:		
American Recovery and Reinvestment Act of 2009		
Other	1,616,606	1,627,823
Goods contributed for sale	28,179,546	23,870,865
Sales of contributed goods	27,566,928	23,106,354
Less cost of goods sold	(27,566,928)	(23,106,354)
Sale of purchased goods	414,099	442,205
Less cost of goods sold	(266,444)	(292,906)
Vocational assistance programs	535,419	516,511
Deferred gain amortization on sale-leaseback	610,692	610,692
Special events	146,298	90,105
Less direct benefit costs	(54,359)	(49,007)
Interest	1,216	2,738
Other	1,686	3,411
	<u>32,134,073</u>	<u>27,844,939</u>
Net assets released from restrictions	108,433	91,311
	<u>32,242,506</u>	<u>27,936,250</u>
Expenses		
Program services	29,629,194	25,371,596
Support services:		
Management and general	954,907	1,079,293
Fundraising	797,809	657,097
	<u>31,381,910</u>	<u>27,107,986</u>
Unallocated payments to affiliated organization	169,618	194,178
	<u>31,551,528</u>	<u>27,302,164</u>
Increase in unrestricted net assets	<u>690,978</u>	<u>634,086</u>
Changes in temporarily restricted net assets		
Contributions	65,000	105,000
Net assets released from restrictions	(108,433)	(91,311)
Increase (decrease) in temporarily restricted net assets	<u>(43,433)</u>	<u>13,689</u>
Increase in net assets	647,545	647,775
Net assets (deficit), beginning of year:	<u>(570,281)</u>	<u>(1,218,056)</u>
Net assets (deficit), end of year	<u>\$ 77,264</u>	<u>\$ (570,281)</u>

GOODWILL INDUSTRIES OF SOUTHERN NEVADA, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Program	Management and General	Fundraising	Total
2014				
Personnel:				
Salaries	\$ 15,816,350	\$ 519,888	\$ 434,358	\$ 16,770,596
Payroll taxes	1,275,352	41,921	35,025	1,352,298
Employee benefits	527,317	17,333	14,482	559,132
	<u>17,619,019</u>	<u>579,142</u>	<u>483,865</u>	<u>18,682,026</u>
Advertising	353,695	11,626	9,713	375,034
Equipment rent and maintenance	557,662	18,331	15,315	591,308
Insurance	721,913	23,729	19,826	765,468
Interest	42,771	1,406	1,175	45,352
Meetings and conferences	75,094	2,469	2,062	79,625
Rent	5,720,506	188,035	157,100	6,065,641
Office	482,729	15,868	13,257	511,854
Client assistance	602,717	19,812	16,552	639,081
Postage	594,862	19,553	16,337	630,752
Printing and duplication	72,122	2,371	1,980	76,473
Professional fees	123,776	4,069	3,399	131,244
Property taxes	114,409	3,761	3,142	121,312
Security	81,719	2,686	2,244	86,649
Merchant fees	578,465			578,465
Supplies	590,124	19,397	16,206	625,727
Telecommunications	241,052	7,923	6,620	255,595
Travel	49,247	1,619	1,353	52,219
Vehicles and mileage	361,516	11,883	9,928	383,327
Depreciation and amortization	645,796	21,227	17,735	684,758
	<u>\$ 29,629,194</u>	<u>\$ 954,907</u>	<u>\$ 797,809</u>	<u>\$ 31,381,910</u>
2013				
Personnel:				
Salaries	\$ 13,544,654	\$ 589,784	\$ 359,073	\$ 14,493,511
Payroll taxes	1,091,289	47,519	28,930	1,167,738
Employee benefits	641,320	27,925	17,002	686,247
	<u>15,277,263</u>	<u>665,228</u>	<u>405,005</u>	<u>16,347,496</u>
Advertising	263,764	11,485	6,992	282,241
Equipment rent and maintenance	567,492	24,711	15,044	607,247
Insurance	605,959	26,386	16,064	648,409
Interest	57,341	2,497	1,520	61,358
Meetings and conferences	52,512	2,286	1,392	56,190
Rent	4,249,527	185,040	112,656	4,547,223
Office	356,749	15,534	9,458	381,741
Client assistance	668,846	29,124	17,731	715,701
Postage	513,898	22,377	13,624	549,899
Printing and duplication	56,622	2,465	1,501	60,588
Professional fees	69,008	3,005	1,829	73,842
Property taxes	122,616	5,339	3,251	131,206
Security	63,353	2,759	1,680	67,792
Merchant fees	585,139			585,139
Supplies	509,165	22,171	13,498	544,834
Telecommunications	192,321	8,374	5,099	205,794
Travel	50,743	2,210	1,345	54,298
Vehicles and mileage	336,493	14,652	8,921	360,066
Depreciation and amortization	772,785	33,650	20,487	826,922
	<u>\$ 25,371,596</u>	<u>\$ 1,079,293</u>	<u>\$ 657,097</u>	<u>\$ 27,107,986</u>

GOODWILL INDUSTRIES OF SOUTHERN NEVADA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Increase in net assets	\$ 647,545	\$ 647,775
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization of property and equipment	684,758	826,922
Amortization of deferred gain on sale-leaseback	(610,692)	(610,692)
(Increase) decrease in operating assets:		
Accounts receivable	(29,187)	19,689
Contracts receivable	(16,336)	(38,692)
Pledges receivable	(5,000)	-
Grants receivable	164,819	(78,454)
Inventory	(606,425)	(729,322)
Prepaid expenses and other	16,932	(87,667)
Deposits	(43,764)	(4,957)
Increase (decrease) in operating liabilities		
Accounts payable	189,706	6,236
Accrued expenses	409,691	848,554
Net cash provided by operating activities	<u>802,047</u>	<u>799,392</u>
Cash flows from investing activities		
Purchase of property and equipment	<u>(828,818)</u>	<u>(844,504)</u>
Cash flows from financing activities		
Proceeds from issuance of debt	12,903,551	8,439,241
Repayment of long-term debt	<u>(12,739,049)</u>	<u>(8,658,017)</u>
Net cash provided by (used in) financing activities	<u>164,502</u>	<u>(218,776)</u>
Net increase (decrease) in cash	137,731	(263,888)
Cash, beginning of year	<u>804,540</u>	<u>1,068,428</u>
Cash, end of year	<u>\$ 942,271</u>	<u>\$ 804,540</u>
Supplemental cash flow information		
Interest paid	<u>\$ 45,352</u>	<u>\$ 61,358</u>

GOODWILL INDUSTRIES OF SOUTHERN NEVADA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

1. Nature of operations, concentrations, risks and uncertainties:

Activities. Goodwill Industries of Southern Nevada, Inc. (the Organization) is a not-for-profit corporation that solicits and collects donated materials, processes and resells them to the general public, and provides employment and training services to people with disabilities and other barriers to employment. Approximately 1% and 2% of the Organization's sales in 2014 and 2013, respectively, came from what is termed "purchased" product. Purchased goods totaled \$259,555 and \$283,884 during 2014 and 2013, respectively, representing 1%, for each year, of the total costs and expenses of the Organization.

The Organization operates under, and has the use of, the Goodwill name as allowed under an in-substance franchise license agreement with Goodwill Industries International, Inc. The agreement requires payment of "dues" (which are in-substance royalties) based on sales and other specified factors. Such dues or royalty expense is designated as "unallocated payments to affiliated organization" in the statement of activities.

The Organization funds job training, employment placement services and other community programs by selling donated, "gently used" items through its retail, post-retail and e-commerce operations. Its nationally certified workforce development services target job seekers with disabilities and other barriers to employment. The Organization's largest workforce development program currently, Career Connections, specializes in increasing the employability of hard-to-place job seekers who face barriers to employment by giving them access to skills training opportunities, job search tools, career advice, one-on-one counseling, job leads and supportive services. The Organization's more traditional workforce development programs deliver vocational rehabilitation services, including assessment, training, job placement and job coaching, to clients with disabilities.

Concentrations, risks and uncertainties. The Organization operates exclusively in Southern Nevada. In addition, the United States has experienced a severe and widespread recession accompanied by, among other things, declines in retail activity and weakness in the commercial banking system, all of which are likely to

continue to have far-reaching effects on the economic activity in the country for an indeterminate period. The near and long-term impact and duration of these factors on the Nevada economy and the Organization's future operating activities and cash flows cannot be predicted at this time, but may be substantial.

From time-to-time, the Organization carries cash and cash equivalents on deposit with financial institutions in excess of federally-insured limits, and the risk of loss related to such concentrations may be substantial as a result of the economic conditions discussed in the foregoing paragraph. The extent of a future loss, if any, as a result of uninsured deposits, is not subject to estimation at this time.

Tax-exempt status. The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). Therefore, contributions to the Organization qualify for the charitable contributions deduction to the extent provided by Section 170 of the IRC.

2. Summary of significant accounting policies:

Basis of presentation. The accompanying financial statements have been presented in accordance with accounting principles generally accepted in the United States (GAAP) applicable to not-for-profit organizations.

The Organization has elected not to adopt the option available under GAAP to measure any of its eligible financial instruments or other items at estimated fair value. Accordingly, the Organization continues to measure all of its assets and liabilities on the historical cost basis of accounting except as otherwise prescribed by GAAP and disclosed herein.

Accounts and contracts receivable. Receivables are carried at estimated net realizable value, are short-term, and non-interest bearing. In establishing an allowance for doubtful collection, if any, the Organization considers the customer's or contributor's apparent financial condition, payment history, the Organization's relationship with the customer or contributor, the relative strength of the Organization's legal position, the related cost of any proceedings, and general and local economic conditions. Receivables are deemed to be

GOODWILL INDUSTRIES OF SOUTHERN NEVADA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

delinquent when payments are past due 30 days and written off when they are determined to be uncollectible based on an evaluation by management of facts and circumstances. The maximum losses that the Organization would incur if a customer or contributor failed to pay would be limited to the carrying value after any allowances provided.

Inventory. Donated inventory is valued at the expected sales price and was \$4,714,207 and \$4,101,589 at December 31, 2014 and 2013, respectively. Purchased inventory is recorded at cost and is subject to adjustment to the estimated market value, if lower, at year end.

Property and equipment. Property and equipment (Note 3) is stated at cost, or if donated, at the estimated fair value at the time it is received, based on level 2 or level 3 inputs, as defined by GAAP. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, which for leasehold improvements is limited to the lease term, excluding contingent renewal option periods (Note 8).

Revenue recognition. All contributions are recognized as support in the statement of activities in the period received, including bequests and unconditional pledges receivable, at their estimated net realizable value, discounted to present value if due in more than one year. Bequests are recognized at the time the Organization's right to them is established to the extent the value of the proceeds is subject to reasonable estimation.

Revenues from exchange transactions, including substantially all current year grants and contracts, are recognized when earned. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the presence and nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction, except that donor restrictions met in the same period received are reported as unrestricted support. When a restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as "net assets released from restrictions." Unless otherwise specified by the donors, contributions

of long-lived assets are considered restricted only until the assets are placed into service at which time the assets are reclassified to unrestricted net assets.

Donated goods and services. Goods contributed for sale are recorded in revenue at expected selling prices. Accordingly, no acquisition costs are recognized for the sales of such goods.

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets, (b) require specialized skills, (c) are performed by people with those skills, and (d) would otherwise be purchased by the Organization. Contributions include donated services valued at \$384,563 and \$379,853 during 2014 and 2013, respectively.

Use of estimates. Timely preparation of financial statements in conformity with GAAP requires management to make estimates that affect reported amounts, some of which may require revision in future years.

Functional expenses. Certain costs and expenses have been allocated among the programs and support services benefited, based primarily upon estimates by management.

Advertising. The Organization uses advertising to promote its programs among the beneficiaries it serves. The costs of advertising are expensed as incurred.

Reclassification. Certain minor reclassifications to prior period amounts have been made to conform to the current period presentation.

GOODWILL INDUSTRIES OF SOUTHERN NEVADA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

3. Property and equipment:

	<u>2014</u>	<u>2013</u>
Leasehold improvements	\$ 1,136,129	\$ 963,924
Office equipment, furniture and fixtures	4,447,772	3,916,394
Construction in progress	<u>179,072</u>	<u>53,038</u>
	5,762,973	4,933,356
Less accumulated depreciation and amortization	<u>(2,722,624)</u>	<u>(2,037,067)</u>
	<u>\$ 3,040,349</u>	<u>\$ 2,896,289</u>

4. Temporarily restricted net assets:

Net assets temporarily restricted for certain program activities were \$30,087 and \$73,520 at December 31, 2014 and 2013, respectively.

5. Related party transactions:

Board member contributions for 2014 and 2013 were \$56,184 and \$66,786, respectively.

The Organization leases a store location from a company in which a Board member is a principal. Rent expense on this lease totaled \$320,242 and \$340,233 in 2014 and 2013, respectively.

Board members provide legal and development services to the Organization. Fees for these services totaled \$24,530 and \$12,915 in 2014 and 2013, respectively.

6. Federal grants:

The Organization receives substantially all of its federal grants as a pass through from *workforce CONNECTIONS* which is Southern Nevada's Local Workforce Investment Board. Federal grant revenues for 2014 and 2013 were \$1,294,770 and \$1,360,044, respectively and nonfederal grant revenues were \$321,836 and \$267,779, respectively.

7. Long-term liabilities:

In 2007, the Organization entered into a sale-leaseback arrangement that was accounted for under the financing

method as defined and required by GAAP since the Organization retained continuing involvement in the property in the form of an option to repurchase the property. In 2010, however, the repurchase option was removed from the lease agreement, by amendment, thereby resulting in a change to sales lease-back accounting. Accordingly, in 2010, the property and associated debt were removed and a net deferred gain of \$7,582,760 was recorded, which will be amortized at the rate of \$610,692 annually over the remaining life of the lease, scheduled to end in June 2022. At December 31, 2014 and 2013, the net deferred gain was \$3,918,608 and \$4,529,300, respectively.

In October 2014, the Organization refinanced substantially all of its existing debt with a new lending institution. The Organization entered into an agreement to obtain a \$1,500,000 revolving line of credit referred to herein as the "Line of Credit," which includes a subfeature to issue standby and/or sight commercial letters of credit provided that the undrawn amount of all such letters of credit not exceed \$500,000. At December 31, 2014 and 2013, the standby and/or sight commercial letters of credit outstanding were \$264,474 and \$112,901, respectively.

The outstanding principal balance on the Line of Credit bears interest at a rate equal to 2.5% above LIBOR or the Prime Rate depending on the rate selected by the Organization at time of use. The line is collateralized by a \$500,000 certificate of deposit held by the lending institution, as well as accounts receivable and other rights to payment, general intangibles, inventory and equipment. The Line of Credit expires on October 1, 2015, at which time all outstanding principal and interest is due.

Also in October 2014, the Organization entered into a \$360,000 term loan that matures on October 1, 2017, and bears interest at a defined LIBOR rate plus 2.75%. Principal payments of \$10,000 plus interest are due on the 1st day of each month. The Organization may prepay principal on this note at any time in a minimum amount of \$100,000 or, if lower, the entire outstanding principal balance.

GOODWILL INDUSTRIES OF SOUTHERN NEVADA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

Future maturities of the term loan at December 31, 2014, were as follows:

2015	\$ 120,000
2016	120,000
2017	<u>100,000</u>
	340,000
Less current portion	<u>(120,000)</u>
	<u>\$ 220,000</u>

The Organization is also obligated under a capital equipment lease that is collateralized by equipment. This obligation is payable in monthly installments ending on January 1, 2017, including interest at 5%. Future maturities at December 31, 2014, were as follows:

2015	\$ 10,202
2016	<u>873</u>
Present value of total payments	11,075
Plus portion representing interest	<u>326</u>
Total future minimum payments	<u>\$ 11,401</u>

8. Commitments:

Operating leases. The Organization has operating lease arrangements as lessee for retail and donation locations, vehicles and office equipment expiring at various dates through 2026.

The Organization has several leases with purchase or renewal options to extend the lease terms in multiple consecutive occurrences. The Organization's operating leases are collateralized by the rented equipment, retail locations, equipment, furniture, furnishings, appliances, goods, trade fixtures, inventory, chattels and personal property. These leases contain provisions for annual adjustments to the base rent. One lease has future renewal options for which the availability is contingent on the Organization's net worth at the time of renewal.

Aggregate minimal rental commitments on leases with remaining terms of one year or more at December 31, 2014, are summarized as follows:

2015	\$ 4,551,865
2016	4,498,978
2017	4,502,182
2018	4,412,967
2019	4,351,651
Thereafter	14,256,348

Total rent expense for all operating leases for 2014 and 2013 was \$5,335,386 and \$4,007,396, respectively.

9. Subsequent events:

Management has evaluated events subsequent to December 31, 2014 for possible recognition or disclosure through April 28, 2015, the date the financial statements were available to be issued. No events were identified that require recognition or disclosure in the financial statements.

P B T K

PIERCY BOWLER
TAYLOR & KERN

Certified Public Accountants
Business Advisors

**INDEPENDENT AUDITORS' REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
Goodwill Industries of Southern Nevada, Inc.
North Las Vegas, Nevada

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Goodwill Industries of Southern Nevada, Inc. (the Organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 28, 2015.

Internal Control over Financial Reporting. In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

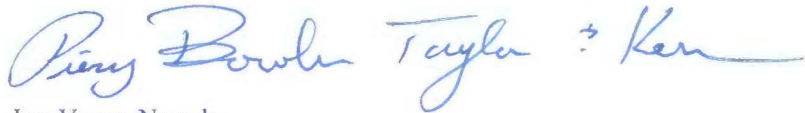
A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters. As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Organization in a separate letter dated April 28, 2015.

Purpose of this Report. The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Penny Bowler Taylor". The signature is written in a cursive style with a long horizontal flourish extending to the right.

Las Vegas, Nevada
April 28, 2015

**SINGLE AUDIT
AND
ACCOMPANYING INFORMATION**

P B T K

PIERCY BOWLER
TAYLOR & KERN

Certified Public Accountants
Business Advisors

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Board of Directors
Goodwill Industries of Southern Nevada, Inc.
North Las Vegas, Nevada

We have audited the compliance of the Goodwill Industries of Southern Nevada, Inc. (the Organization) with the types of compliance requirements described in the Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended December 31, 2014. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility. The Organization's management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility. Our responsibility is to express an opinion on compliance for the Organization's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Major Federal Program. In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Organization's major federal program for the year ended December 31, 2014.

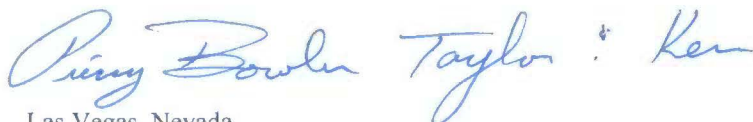
Report on Internal Control Over Compliance. The Organization's management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133. We have audited the financial statements of the Organization as of and for the year ended December 31, 2014, and have issued our report thereon dated April 28, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in blue ink that reads "Perry Bowen Taylor". To the right of the signature, there is a small asterisk and the word "Ken" written in the same ink.

Las Vegas, Nevada
April 28, 2015

**GOODWILL INDUSTRIES OF SOUTHERN NEVADA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Expenditures</u>
United States Department of Labor			
Passed through <i>workforce</i> CONNECTIONS			
WIA Cluster *			
WIA Home Office and One Stop Adult	17.258	11-WIA-ADW-GDW-07	\$ 419,608
WIA Home Office Adult	17.258	14-WIA ADULT HO GDW-0	105,997
WIA One Stop Adult	17.258	14-WIA ADULT OS GDW-0	129,928
WIA Home Office and One Stop Dislocated Workers	17.278	11-WIA-ADW-GDW-07	135,281
WIA Home Office Dislocated Workers	17.278	14-WIA DW HO GDW-0	77,266
WIA One Stop Dislocated Workers	17.278	14-WIA DW OS GDW-0	60,433
WIA Youth Activities	17.259	12-FCY/YD-WIA-GDW-01	229,771
WIA Youth Activities	17.259	12-FCY/YD-WIA-GDW-02	<u>149,653</u>
Total WIA Cluster			<u>1,307,937</u>
WIA NEG	17.277		8,500
WIA NEG	17.277		<u>1,535</u>
Total Department of Labor			<u>1,317,972</u>
Federal Emergency Management Agency			
Passed through United Way			
Emergency Food and Shelter National Board Program	97.024	586800-054	30,876
Department of Housing and Urban Development			
Passed through City of Las Vegas			
CDBG City of Las Vegas (HUD)	14.218	N/A	<u>15,688</u>
			<u>\$ 1,364,536</u>

* A "major" program

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Note 1. Reporting Entity

The accompanying schedule of expenditures of federal awards (the schedule) presents the activity of all federal financial assistance programs of Goodwill Industries of Southern Nevada, Inc. (the Organization). The schedule includes all expended federal financial assistance received directly from federal agencies and that passed through other entities.

Note 2. Basis of Presentation

The schedule includes the federal grant activity of the Organization presented on the accrued basis of accounting. The information in this schedule is presented in accordance with the requirements of the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**GOODWILL INDUSTRIES OF SOUTHERN NEVADA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014**

Section I - Summary of Auditors' Results:

Financial Statements:

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements?	No

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	No

Identification of major programs:

CFDA Number:	17.258, 17.259, 17.278
Name of Federal Program or Cluster:	WIA cluster
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

**GOODWILL INDUSTRIES OF SOUTHERN NEVADA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014**

Section II – Findings relating to the financial statements, which are required to be reported in accordance with auditing standards generally accepted in the United States and *Government Auditing Standards*:

None Reported

**GOODWILL INDUSTRIES OF SOUTHERN NEVADA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014**

Section III – Findings and questioned costs for federal awards, including audit findings as defined in Circular A-133 Section .510(a):

None Reported