PBTK
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, 2015 AND 2014

6100 Elton Avenue, Ste. 1000 • Las Vegas, Nevada 89107 • 702-384-1120 • fax 702-870-2474 • pbtk.com

GOODWILL INDUSTRIES OF SOUTHERN NEVADA, INC.
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

TABLE OF CONTENTS

P B T K
PIERCY BOWLER
TAYLOR & KERN
Certified Public Accountants
Business Advisors

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 Goodwill Industries of Southern Nevada, Inc. (the Organization), which comprise the statements of financial position as of December 31, 2015 and 2014, 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 December 31, 2015 and 2014, 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.

6100 Elton Avenue, Ste. 1000 • Las Vegas, Nevada 89107 • 702-384-1120 • fax 702-870-2474 • pbtk.com

Other Reporting Required by *Government Auditing Standards*. In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2016, 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.

Piercy Bowler Taylor & Kern

Las Vegas, Nevada
April 27, 2016

GOODWILL INDUSTRIES OF SOUTHERN NEVADA, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
Current assets		
Cash	$ 1,519,578	$ 942,271
Accounts receivable	175,954	169,124
Contracts receivable	33,716	104,337
Pledges receivable	5,000	5,000
Grants receivable	173,364	149,936
Inventory	6,432,612	4,749,127
Prepaid expenses and other	130,042	120,697
	8,470,266	6,240,492
Property and equipment, net of accumulated depreciation	7,783,708	3,040,349
Certificate of deposit, restricted		500,000
Deposits	419,033	130,307
Restricted cash	14,718,665	
	$ 31,391,672	$ 9,911,148
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 532,574	$ 709,736
Accrued expenses	3,675,352	3,138,118
Lines of credit payable		1,105,655
Current portion of deferred gain on sale-leaseback	610,692	610,692
Current portion of long-term debt	788,404	130,202
	5,607,022	5,694,403
Long-term liabilities		
Deferred gain on sale-leaseback	3,307,916	3,918,608
Long-term debt	20,287,213	220,873
	29,202,151	9,833,884
Net assets		
Unrestricted	2,056,312	47,177
Temporarily restricted	133,209	30,087
	2,189,521	77,264
	$ 31,391,672	$ 9,911,148

See notes to financial statements

GOODWILL INDUSTRIES OF SOUTHERN NEVADA, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Changes in unrestricted net assets		
Revenues and gains		
Contributions	$ 1,570,052	$ 949,314
Grants	1,233,232	1,616,606
Goods contributed for sale	33,150,385	28,179,546
Sale of contributed goods	31,480,396	27,566,928
Less cost of goods sold	(31,480,396)	(27,566,928)
Sale of purchased goods	570,419	414,099
Less cost of goods sold	(371,893)	(266,444)
Vocational assistance programs	367,134	535,419
Amortization of deferred gain on sale-leaseback	610,692	610,692
Special events	144,371	146,298
Less direct benefit costs	(143,134)	(54,359)
Interest	1,070	1,216
Other	2,321	1,686
	37,134,649	32,134,073
Net assets released from restrictions	96,878	108,433
	37,231,527	32,242,506
Expenses		
Program services	32,610,507	29,629,194
Support services:		
Management and general	1,217,817	954,907
Fundraising	1,190,300	797,809
	35,018,624	31,381,910
Unallocated payments to affiliated organization	203,768	169,618
	35,222,392	31,551,528
Increase in unrestricted net assets	2,009,135	690,978
Changes in temporarily restricted net assets		
Contributions	200,000	65,000
Net assets released from restrictions	(96,878)	(108,433)
Increase (decrease) in temporarily restricted net assets	103,122	(43,433)
Increase in net assets	2,112,257	647,545
Net assets (deficit), beginning of year:	77,264	(570,281)
Net assets, end of year	$ 2,189,521	$ 77,264

GOODWILL INDUSTRIES OF SOUTHERN NEVADA, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Program	Management and General	Fundraising	Total
2015				
Personnel:				
Salaries	$ 17,622,085	$ 670,776	$ 655,617	$ 18,948,478
Payroll taxes	1,359,544	51,750	50,581	1,461,875
Employee benefits	560,560	21,337	20,855	602,752
	19,542,189	743,863	727,053	21,013,105
Advertising	766,281	29,168	28,509	823,958
Equipment rental	342,658	13,043	12,748	368,449
Repairs and maintenance	243,627	9,273	9,064	261,964
Utilities	738,235	28,101	27,466	793,802
Insurance	682,634	25,984	25,397	734,015
Interest	108,582	4,133	4,040	116,755
Meetings and conferences	61,175	2,329	2,276	65,780
Rent	5,248,717	199,790	195,275	5,643,782
Office	518,758	46,101	45,060	609,919
Client assistance	692,385			692,385
Postage and shipping	649,024	24,705	24,146	697,875
Printing and duplication	76,956	2,929	2,863	82,748
Professional fees	113,527	4,321	4,224	122,072
Property taxes	149,022	5,672	5,544	160,238
Security	90,244	3,435	3,357	97,036
Merchant fees	616,911			616,911
Supplies	635,604	24,194	23,647	683,445
Telecommunications	250,283	9,527	9,312	269,122
Travel	46,302	1,762	1,723	49,787
Vehicles and mileage	277,355	10,557	10,319	298,231
Depreciation and amortization	760,038	28,930	28,277	817,245
	$ 32,610,507	$ 1,217,817	$ 1,190,300	$ 35,018,624
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
	17,619,019	579,142	483,865	18,682,026
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	35,680	29,809	548,218
Client assistance	602,717			602,717
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
	$ 29,629,194	$ 954,907	$ 797,809	$ 31,381,910

See notes to financial statements

GOODWILL INDUSTRIES OF SOUTHERN NEVADA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Cash flows from operating activities		
Increase in net assets	$ 2,112,257	$ 647,545
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization of property and equipment	817,245	684,758
Amortization of deferred gain on sale-leaseback	(610,692)	(610,692)
(Increase) decrease in operating assets:		
Accounts receivable	(6,830)	(29,187)
Contracts receivable	70,621	(16,336)
Pledges receivable		(5,000)
Grants receivable	(23,428)	164,819
Inventory	(1,683,485)	(606,425)
Prepaid expenses and other	(9,345)	16,932
Deposits	(288,726)	(43,764)
Increase (decrease) in operating liabilities		
Accounts payable	(177,162)	189,706
Accrued expenses	537,234	409,691
Net cash provided by operating activities	737,689	802,047
Cash flows from investing activities		
Purchase of property and equipment	(5,560,604)	(828,818)
Cash flows from financing activities		
Proceeds from issuance of debt	33,801,343	12,903,551
Repayment of long-term debt	(13,415,732)	(12,739,049)
Certificate of deposit	500,000	
Bond issuance costs	(766,724)	
Net cash provided by financing activities	20,118,887	164,502
Net increase in cash	15,295,972	137,731
Cash, beginning of year	942,271	804,540
Cash, end of year	$ 16,238,243	$ 942,271
Unrestricted cash	$ 1,519,578	$ 942,271
Restricted Cash	14,718,665	
Total Cash, end of year	$ 16,238,243	$ 942,271
Supplemental cash flow information		
Interest paid	$ 46,459	$ 45,352

See notes to financial statements

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% of the Organization's sales in both 2015 and 2014 came from what is termed "purchased" product. Purchased goods totaled \$363,996 and \$259,555 during 2015 and 2014, 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.

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.

Because there are no known circumstances that would place the Organization's status as a tax-exempt organization in jeopardy, and because it does not engage in unrelated business income activities, no provision has been made for uncertain tax positions taken or to be taken. With few exceptions, the Organization's tax returns for years prior to 2012 are generally considered to be closed to examination by the Internal Revenue Service.

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 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 $6,384,197 and $4,714,207 at December 31, 2015 and 2014, 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 (Notes 3 and 9).

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 $894,584 and $384,563 during 2015 and 2014, 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.

Restricted Cash. Restricted cash at December 31, 2015, consists of a bond reserve fund in the amount of $1,447,188, the maximum annual debt service, and a bond and projects fund in the amount of $13,271,477 in connection with the Series A Bonds.

3. Property and equipment:

	2015	2014
Leasehold improvements	$ 1,006,492	$ 1,136,129
Office equipment, furniture and fixtures	5,813,486	4,447,772
Construction in progress		179,072
Land	1,100,000	
Building	3,198,981	
	11,118,959	5,762,973
Less accumulated depreciation and amortization	(3,350,130)	(2,722,624)
	$ 7,768,829	$ 3,040,349

4. Temporarily restricted net assets:

Net assets temporarily restricted for certain program activities were $133,209 and $30,087 at December 31, 2015 and 2014, respectively.

5. Related party transactions:

Board member contributions for 2015 and 2014 were $31,760 and $56,184, respectively.

In 2014, the Organization leased a store location from a company in which a Board member is a principal. The expense recorded for this lease was $320,242.

Board members provide legal and development services to the Organization. Fees for these services totaled $27,650 and $24,530 in 2015 and 2014, 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 2015 and 2014 were $1,188,100 and $1,294,770, respectively and nonfederal grant revenues were $45,132 and $321,836, respectively.

7. Deferred gain on sale-leaseback:

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 sale 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 is being amortized at the rate of $610,692 annually over the remaining life of the lease, scheduled to end in June 2022. At December 31, 2015 and 2014, the net deferred gain was $3,918,608 and $4,529,300, respectively.

8. Long-term debt:

Changes in long-term debt for the year ended December 31, 2015 were as follows:

	Beginning balance	Additions	Deductions	Ending balance	Current portion
Term loan	$ 340,000		$ (340,000)		
Bonds		$ 22,145,000		$ 22,145,000	$ 780,000
Capital leases	11,075	34,571	(16,418)	29,228	8,404
Bond issuance costs		(768,208)	1,484	(766,724)	
Bond discount		(332,512)	625	(331,887)	
Total	$ 351,075	$ 21,078,851	$ (354,309)	$ 21,075,617	$ 788,404

Pursuant to a Limited Offering Memorandum (the LOM) dated November 13, 2015, and amended December 9, 2015, the Public Finance Authority of Madison, Wisconsin sold the Public Finance Authority Revenue Bonds (Goodwill Industries of Southern Nevada Project) Series 2015 (the Bonds) to an "accredited investor" or "Qualified Institutional Buyer." The proceeds from the Bonds were loaned to the Organization to finance the acquisition of retail and/or donation facilities located, or to be located, in Las Vegas, North Las Vegas or Henderson, Clark County, Nevada, to fund the bond reserve fund, to pay off the existing line of credit under customary terms and the term loan, and to pay certain issuance expenses of the Bonds.

The Bonds consist of Series A sold for $19,024,145 and Series B sold for $2,351,943, both net of original issue discount and issuance costs. Series A is tax-exempt with $8,975,000 at an interest rate 5.625%, and $10,760,000 at an interest rate of 5.875%. Series B is taxable with $2,410,000 at an interest rate 5.4%.

Financial covenants include "days cash on hand," "unrestricted financial reserve to debt ratio," "fixed charges coverage ratio," and limitations on borrowings, all of which are first effective as of and for the year ending December 31, 2016.

In 2015, the Organization early adopted the provisions of recently issued GAAP, which requires unamortized debt issuance costs to be presented in the statement of financial position as a direct deduction from the carrying value of the associated debt liability, consistent with the presentation of a debt discount.

As of December 31, 2015, future debt service requirements on the loan received by the Organization from the net proceeds of the Bonds were as follows:

	Principal	Interest	Total
2016	$ 780,000	$ 1,207,879	$ 1,987,879
2017	795,000	1,197,900	1,992,900
2018	835,000	1,156,163	1,991,163
2019	330,000	1,112,325	1,442,325
2020	350,000	1,094,175	1,444,175
2021-2025	2,065,000	5,159,850	7,224,850
2026-2030	2,705,000	4,525,150	7,230,150
2031-2035	3,525,000	3,696,300	7,221,300
2036-2040	4,635,000	2,590,375	7,225,375
2041-2045	6,125,000	1,095,375	7,220,375
Totals	$22,145,000	$22,835,492	$44,980,492

The Organization is also obligated under capital equipment leases collateralized by equipment. These obligations are payable in monthly installments ending on January 1, 2020, including interest at 5%. Future maturities at December 31, 2015, were as follows:

2016	$ 8,662
2017	9,230
2018	9,029
2019	3,979
Total future minimum payments	30,900
Portion representing interest	(1,672)
Total future minimum payments	$29,228

9. 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 operating leases with remaining terms of one year or more at December 31, 2015, were as follows:

2016	$ 5,718,459
2017	6,016,865
2018	5,918,507
2019	5,857,643
2020	5,775,785
Thereafter	19,205,962

Total rent expense for all operating leases in 2015 and 2014 was $5,687,586 and $5,335,386, respectively.

10. Subsequent events:

Management has evaluated events subsequent to December 31, 2015 for possible recognition or disclosure through April 27, 2016, the date the financial statements were available to be issued. Except as follows, no events were identified that require recognition or disclosure in the financial statements.

Store purchase. On March 21, 2016, the Organization purchased their Centennial Hills store location for approximately $8,200,000, primarily using bond proceeds. The store was previously accounted for as an operating lease.

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 Goodwill Industries of Southern Nevada, Inc. (the Organization), which comprise the statement of financial position as of December 31, 2015, 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 27, 2016.

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 the Organization in a separate letter dated April 27, 2016.

6100 Elton Avenue, Ste. 1000 • Las Vegas, Nevada 89107 • 702-384-1120 • fax 702-870-2474 • pbtk.com

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.

Piercy Bowler Taylor & Kern

Las Vegas, Nevada
April 27, 2016

SINGLE AUDIT
AND
ACCOMPANYING INFORMATION

P B T K
PIERCY BOWLER
TAYLOR & KERN
Certified Public Accountants
Business Advisors

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

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

We have audited the compliance of Goodwill Industries of Southern Nevada, Inc. (the Organization) with the types of compliance requirements described in the Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended December 31, 2015. 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Those standards and the Uniform Guidance 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, 2015.

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 the Uniform Guidance, 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.

6100 Elton Avenue, Ste. 1000 • Las Vegas, Nevada 89107 • 702-384-1120 • fax 702-870-2474 • pbtk.com

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance. We have audited the financial statements of the Organization as of and for the year ended December 31, 2015, and have issued our report thereon dated April 27, 2016, 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 the Uniform Guidance 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.

Piercy Bowler Taylor & Kern

Las Vegas, Nevada
April 27, 2016

GOODWILL INDUSTRIES OF SOUTHERN NEVADA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

Federal Grantor/Pass-though Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
United States Department of Labor			
Passed through *workforce* CONNECTIONS			
WIA Cluster *			
WIA Home Office Adult	17.258	14-WIA ADULT HO GDW-0	$ 32,750
WIA Home Office Adult	17.258	14-WIA ADULT HO GDW-1	111,481
WIA One Stop Adult	17.258	14-WIA OS ADULT GDW-0	20,738
WIA One Stop Adult	17.258	14-WIA OS ADULT GDW-1	288,178
WIA Home Office Dislocated Worker	17.278	14-WIA DW HO GDW-0	5,906
WIA Home Office Dislocated Worker	17.278	14-WIA DW HO GDW-1	70,855
WIA One Stop Dislocated Worker	17.278	14-WIA DW OS GDW-0	31,594
WIA One Stop Dislocated Worker	17.278	14-WIA DW OS GDW-1	173,255
WIA Youth with Disabilities	17.259	12-FCY-YD-WIA-GDW-02	30,493
WIA Youth with Disabilities	17.259	12-FCY-YD-WIA-GDW-03	183,262
Total WIA Cluster			948,512
WIOA Cluster *			
WIOA Adult with Disabilities - Adult	17.258	WC-15-GSN-AD-AW-00	41,038
WIOA Adult with Disabilities - Adult	17.258	WC-15-GSN-AD-AW-01	62,608
WIOA Adult with Disabilities - Dislocated Worker	17.278	WC-15-GSN-AD-AW-00	8,751
WIOA Adult with Disabilities - Dislocated Worker	17.278	WC-15-GSN-AD-AW-01	10,317
WIOA Youth with Disabilities	17.259	12-FCY/YD-WIA-GDW-04	64,664
WIOA Youth with Disabilities	17.259	12-FCY/YD-WIA-GDW-05	42,231
Total WIOA Cluster			229,609
WIA NEG	17.277	14-WIA DW NEG GDW-1	2,619
Total Department of Labor			1,180,740
Department of Housing and Urban Development			
Passed through City of Las Vegas			
CDBG City of Las Vegas (HUD)	14.218	N/A	7,363
			$ 1,188,103

* A "major" program

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

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. Summary of Significant Accounting Policies

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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The Organization does not use the 10% de minimis indirect cost rate provided in §200.414 of the Uniform Guidance.

GOODWILL INDUSTRIES OF SOUTHERN NEVADA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015

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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance)?	No

Identification of major programs:

CFDA Number:	17.258, 17.259, 17.278
Name of Federal Program or Cluster:	WIA cluster and WIOA cluster
Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

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, 2015

Section III – Findings and questioned costs for federal awards, including audit findings as defined in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance):

None Reported