GOODWILL INDUSTRIES OF MIDDLE TENNESSEE, INC.

FINANCIAL STATEMENTS

December 31, 2012 and 2011

GOODWILL INDUSTRIES OF MIDDLE TENNESSEE, INC.

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FRASIERDEAN HOWARDCPAs

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Goodwill Industries of Middle Tennessee, Inc.
Nashville, Tennessee

We have audited the accompanying financial statements of Goodwill Industries of Middle Tennessee, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years 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 financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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 financial statements are free of material misstatement.

An audit 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Goodwill Industries of Middle Tennessee, Inc. as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Frasier, Dean & Howard, PLLC

Nashville, Tennessee
March 26, 2013

Goodwill Industries of Middle Tennessee, Inc.
Statements of Financial Position
December 31, 2012 and 2011

	2012	2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 7,787,963	$ 7,293,235
Accounts receivable and grants receivable, net	551,207	721,790
Inventory	1,990,260	1,715,418
Prepaid expenses	264,409	199,991
Total current assets	10,593,839	9,930,434
Noncurrent assets:		
Cash and cash equivalents restricted for debt requirement	225,000	225,000
Investments - board designated	3,554,591	3,156,568
Investments - deferred compensation plan	881,443	682,813
Land, buildings and equipment (net of depreciation)	34,338,016	27,423,242
Other assets	99,164	87,829
Total assets	$ 49,692,053	$ 41,505,886
LIABILITIES and NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 4,453,795	$ 3,529,909
Deferred revenue	16,591	11,537
Current portion of deferred lease incentive	55,429	34,784
Current portion of notes payable	1,259,918	932,581
Total current liabilities	5,785,733	4,508,811
Noncurrent liabilities:		
Deferred compensation plan liability	881,443	682,813
Deferred lease incentive, net of current portion	481,621	478,792
Other liabilities	164,309	226,242
Notes payable, net of current portion	6,680,514	6,213,418
Total liabilities	13,993,620	12,110,076
Net Assets:		
Unrestricted net assets:		
Undesignated	32,108,174	25,993,938
Designated for long-term investments	3,554,591	3,156,568
Total unrestricted net assets	35,662,765	29,150,506
Temporarily restricted net assets	35,668	245,304
Total net assets	35,698,433	29,395,810
Total liabilities and net assets	$ 49,692,053	$ 41,505,886

See accompanying notes.

Goodwill Industries of Middle Tennessee, Inc.
Statements of Activities
For the Years Ended December 31, 2012 and 2011

	2012	2011
Changes in unrestricted net assets:		
Revenue, gains, and other support:		
Retail operations:		
Store sales, net of related discounts	$ 37,374,661	$ 32,327,550
Contributed value of donated merchandise	24,085,611	20,393,157
Retail operations	61,460,272	52,720,707
Salvage sales	4,470,652	3,875,163
Grants and fees received	495,424	759,875
Investment income, net	361,300	74,359
Contributions	134,922	238,423
Other	83,256	46,587
United Way contributions	41,288	41,466
Administrative fees revenue	120	2,020
Net assets released from restrictions	238,336	1,361
Total revenue, gains, and other support	67,285,570	57,759,961
Expenses		
Program services	54,066,526	46,203,457
Management and general	6,081,700	5,471,518
Fundraising	625,085	493,096
Total expenses	60,773,311	52,168,071
Increase in unrestricted net assets	6,512,259	5,591,890
Changes in temporarily restricted net assets:		
Revenues:		
Contributions	28,700	236,700
Net assets released from restrictions	(238,336)	(1,361)
Total revenues	(209,636)	235,339
(Decrease) increase in temporarily restricted net assets	(209,636)	235,339
Change in net assets	6,302,623	5,827,229
Net assets, beginning of year	29,395,810	23,568,581
Net assets, end of year	$ 35,698,433	$ 29,395,810

See accompanying notes.

Goodwill Industries of Middle Tennessee, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2012

	Program Services	Management and General	Fund-raising	Total
Salaries	$ 29,967,571	$ 3,685,038	$ 80,659	$ 33,733,268
Occupancy	7,949,268	176,648	-	8,125,916
Employee benefits	3,244,833	295,343	8,181	3,548,357
Payroll taxes	3,127,468	286,726	6,281	3,420,475
Supplies	2,193,327	139,085	-	2,332,412
Advertising, printing and publications	804,916	108,157	529,964	1,443,037
Travel and vehicles	1,144,010	97,978	-	1,241,988
Equipment rent and maintenance	642,544	120,950	-	763,494
Postage	722,947	18,342	-	741,289
Credit card fees	619,203	360	-	619,563
Telephone	343,504	71,950	-	415,454
Professional fees	231,294	144,973	-	376,267
Ecommerce fees	310,904	57	-	310,961
Interest	185,391	27,710	-	213,101
Insurance	14,672	182,321	-	196,993
Noncapitalized purchases	100,103	61,206	-	161,309
Dues payment to affiliated organization	-	159,624	-	159,624
Cost of goods sold	129,046	-	-	129,046
Employee relations	52,288	24,547	-	76,835
Other	26,668	4,801	-	31,469
Bank service charges	4,866	13,176	-	18,042
Conferences and meetings	10,637	6,448	-	17,085
Dues	6,063	5,963	-	12,026
Awards and grants	2,621	-	-	2,621
Total expense before depreciation	51,834,144	5,631,403	625,085	58,090,632
Depreciation	2,232,382	450,297	-	2,682,679
Total expenses	$ 54,066,526	$ 6,081,700	$ 625,085	$ 60,773,311

See accompanying notes.

Goodwill Industries of Middle Tennessee, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2011

	Program Services	Management and General	Fund-raising	Total
Salaries	$ 25,836,385	$ 3,258,234	$ -	$ 29,094,619
Occupancy	7,200,531	199,514	-	7,400,045
Payroll taxes	2,863,470	254,251	-	3,117,721
Employee benefits	2,617,778	262,544	-	2,880,322
Supplies	1,699,680	100,748	-	1,800,428
Advertising, printing and publications	605,091	134,507	493,096	1,232,694
Travel and vehicles	973,574	86,727	-	1,060,301
Postage	563,911	14,585	-	578,496
Credit card fees	555,909	338	-	556,247
Equipment rent and maintenance	429,109	89,737	-	518,846
Telephone	246,190	63,542	-	309,732
Professional fees	109,370	132,493	-	241,863
Ecommerce fees	238,699	-	-	238,699
Interest	194,629	32,058	-	226,687
Insurance	4,670	193,129	-	197,799
Dues payment to affiliated organization	-	153,480	-	153,480
Noncapitalized purchases	99,110	43,401	-	142,511
Cost of goods sold	97,043	-	-	97,043
Employee relations	50,413	27,655	-	78,068
Other	57,552	6,738	-	64,290
Bank service charges	8,799	12,829	-	21,628
Conferences and meetings	6,304	6,550	-	12,854
Dues	8,349	4,190	-	12,539
Awards and grants	194	75	-	269
Total expense before depreciation	44,466,760	5,077,325	493,096	50,037,181
Depreciation	1,736,697	394,193	-	2,130,890
Total expenses	$ 46,203,457	$ 5,471,518	$ 493,096	$ 52,168,071

See accompanying notes.

Goodwill Industries of Middle Tennessee, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Change in net assets	$ 6,302,623	$ 5,827,229
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,682,679	2,130,890
Contribution of fixed assets	-	(199,691)
(Gain) loss on disposal of fixed assets	(10,155)	(5,507)
(Gain) loss on investments, net	(161,476)	74,918
(Gain) loss on investments, net - deferred compensation plan	(65,457)	27,174
Change in operating assets and liabilities:		
Accounts and grants receivable, net	170,583	(86,103)
Inventory	(274,842)	(244,055)
Prepaid expenses	(64,418)	168,111
Other assets	(11,335)	(12,936)
Accounts payable and accrued expenses	923,886	536,883
Deferred revenue	5,054	5,537
Deferred compensation plan liability	198,630	112,731
Deferred lease incentive	23,474	(34,784)
Other liabilities	(61,933)	29,702
Net cash provided by operating activities	9,657,313	8,330,099
Cash flows from investing activities:		
Increase in cash and cash equivalents restricted for debt requirement	-	(225,000)
Purchases of investments	(521,753)	(532,618)
Proceeds from sale of investments	152,033	142,985
Purchase of land, buildings, and equipment	(9,587,298)	(4,743,331)
Net cash used in investing activities	(9,957,018)	(5,357,964)
Cash flows from financing activities:		
Payments on capital lease obligations	-	(56,916)
Principal payments on notes payable	(965,567)	(814,695)
Proceeds from issuance of notes payable	1,760,000	1,140,000
Net cash provided by financing activities	794,433	268,389
Net increase in cash and cash equivalents	494,728	3,240,524
Cash and cash equivalents, beginning of year	7,293,235	4,052,711
Cash and cash equivalents, end of year	$ 7,787,963	$ 7,293,235
Supplemental cash flow information:		
Cash paid during the year for interest	$ 204,909	$ 218,635
Supplemental schedule of noncash investing and financing activities:		
Contribution of fixed assets	$ -	$ 199,691

See accompanying notes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Goodwill Industries of Middle Tennessee, Inc. ("the Organization") was incorporated in 1958 as a Tennessee nonprofit corporation. The primary purposes of the Organization are to provide rehabilitation services, training, and employment for individuals who have a disability and for people who are economically disadvantaged as a step to their employment in the labor market. The following is a summary of the Organization's significant accounting policies:

Financial Statement Presentation

The Organization presents its financial statements in accordance with accounting principles generally accepted in the United States of America. The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows. Net assets of the Organization are presented as follows:

Unrestricted net assets

Undesignated – net assets not subject to donor-imposed stipulations or designated by the Organization.

Designated – net assets designated by the Organization for particular purposes.

Temporarily restricted net assets – net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. The Organization had temporarily restricted net assets of $35,668 and $245,304 at December 31, 2012 and 2011, respectively.

Permanently restricted net assets – net assets subject to donor-imposed stipulations that require that the assets be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. The Organization had no permanently restricted net assets at December 31, 2012 and 2011.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recognition of Restricted Revenue

Revenue from restricted grants is recorded based on expenses incurred since these grants are generally on a cost-reimbursement basis.

Cash and Cash Equivalents and Restricted Cash

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. In 2011, the Organization placed $225,000 in a separate account with a financial institution to meet a new debt requirement. The account is non-interest bearing. The debt restriction requires the cash account to remain with the financial institution until the debt is satisfied. The account is reflected in the statements of financial position as “cash and cash equivalents restricted for debt requirement”

Investments

Investments are stated at fair market value. Unrealized gains and losses as well as appreciation or depreciation in market value are reflected in the accompanying financial statements.

Inventory

The inventory of merchandise consists of items donated to the Organization. Accounting principles generally accepted in the United States of America require that contributions be recognized as revenue when received. The Organization considers the fair value of contributed merchandise to be the excess of selling price over processing costs. The captions “store sales, net of related discounts” and “contributed value of donated merchandise” represent the actual amounts received from retail store sales. “Store sales, net of related discounts” represents the proceeds received on retail sales up to actual processing and other costs. During 2012 and 2011, the Organization recognized contributed merchandise with an estimated fair value of $24,085,611 and $20,393,157, respectively, as contribution revenue. This merchandise requires additional processing accomplished through program related efforts by people with disabilities and other disadvantaging conditions before it reaches its point of sale.

Land, Buildings and Equipment

Land, buildings and equipment are recorded at cost. Expenditures for ordinary maintenance and repairs are charged to operations. Renewals and betterments that materially extend the life of the asset are capitalized. Depreciation is provided in amounts necessary to allocate the cost of the various classes of assets over their estimated useful lives using the straight-line method. Leasehold improvements are charged to expense over the life of the related lease or the useful life of the asset, whichever is shorter.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Land, Buildings and Equipment (Continued)

Estimated useful lives of all major classes of assets are as follows:

Buildings	7 - 39 years
Building improvements	3 - 29 years
Leasehold improvements	3 - 15 years
Equipment	3 - 10 years
Material collection vehicles	3 - 5 years

Income Taxes

The Organization has qualified for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation. Gifts to the Organization are tax deductible.

The Organization follows Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") guidance for uncertainty in income taxes recognized in an entity's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Organization has not recognized any tax related interest and penalties in the accompanying financial statements. Federal tax years that remain open for examination include the years ended December 31, 2009 through December 31, 2012.

Donated Services

The Organization receives donated services from a variety of unpaid volunteers. No amounts have been recognized in the accompanying statements of activities because the criteria for recognition of such volunteer effort have not been satisfied.

Allocated Expenses

For purposes of the statements of functional expenses, certain expenses have been allocated between program and supporting services based on estimates made by management.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Advertising Expense

The Organization expenses advertising costs as incurred. Advertising costs charged to expense totaled $1,186,958 in 2012 and $1,098,269 in 2011.

Subsequent Events

The Organization evaluated subsequent events through March 26, 2013, when these financial statements were available to be issued. Other than that described in Note 12, management is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

NOTE 2 – ACCOUNTS AND GRANTS RECEIVABLE

Accounts and grants receivable consist of the following at December 31:

	2012	2011
Trade, contract services and other	$ 517,579	$ 710,951
Billings under grants and rehabilitation programs	37,398	37,951
	554,977	748,902
Less: allowance for uncollectibles	(3,770)	(27,112)
Accounts and grants receivable, net	$ 551,207	$ 721,790

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Organization has an established process for determining fair values. Fair values are based upon quoted market prices, where available. If listed prices or quotes are not available, fair values are based upon market-based or independently-sourced market data. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies, or assumptions, to determine the fair value of certain

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

financial instruments could result in a different estimate of fair value at the reporting date. Accounting principles generally accepted in the United States of America have a three-level valuation hierarchy for fair value measurements. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The three levels are explained as follows:

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Investments are stated at fair value, with fair value determined based on quoted prices in active markets for identical assets (Level 1), and consist of the following at December 31:

	2012	2011
Investments – board designated:		
Money market funds	$ 510,472	$ 471,348
Fixed income funds:		
Corporate bonds	77,690	79,275
Municipal bonds	676,280	668,791
Fixed income funds	-	77,032
High yield funds	327,476	190,513
Equities:		
Common stock	1,190,696	409,081
Multi-strategy funds	483,852	696,692
Mid cap funds	-	46,892
Small cap funds	-	155,075
International funds	98,326	214,730
Alternatives:		
Gold bullion funds	126,700	72,803
Commodity fund	-	20,539
Real estate funds	63,099	53,797
Investments – board designated	$ 3,554,591	$ 3,156,568

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Investments – deferred compensation plan:

Growth stock fund	$ 65,979	$ 48,618
Midcap growth fund	337,089	277,284
Equity income fund	114,281	81,555
Capital appreciation fund	335,492	258,014
Spectrum income fund	28,602	17,342
Investments – deferred compensation plan	$ 881,443	$ 682,813

Investment income, net as presented in the statements of activities is comprised of the following:

	2012	2011
Interest and dividend income	$ 199,824	$ 149,277
Net realized and unrealized investment gains (loss)	161,476	(74,918)
Investment income, net	$ 361,300	$ 74,359

NOTE 4 – LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consist of the following at December 31:

	2012	2011
Land	$ 8,932,382	$ 5,933,167
Land improvements	57,566	54,766
Buildings	20,384,288	18,112,147
Building improvements	2,814,050	1,547,068
Leasehold improvements	5,073,322	4,025,692
Plant equipment	3,008,256	2,859,913
Store equipment	3,737,220	3,347,857
Office equipment	2,984,674	2,643,216
Material collection vehicles and equipment	3,381,342	2,998,626
Construction in progress	685,847	333,323
	51,058,947	41,855,775
Less accumulated depreciation	(16,720,931)	(14,432,533)
	$ 34,338,016	$ 27,423,242

NOTE 5 – NOTES PAYABLE

Notes payable consist of the following at December 31:

	2012	2011
Promissory note issued to the Industrial Development Board of the City of Berry Hill, Tennessee. Total borrowings under the note amounted to $2,250,000. The proceeds of the borrowing were used to purchase a facility that contains a retail store, attended donation center, employment and training services and commercial services operation. The note required interest only payments until April 2004 at which time monthly payments of principal and interest (3.75% per annum) of $22,420 were required. The note matures in April 2014. The note is secured by the real estate. The loan agreement contains various financial and other covenants, which the Organization has met at December 31, 2012 and 2011.	$ 349,244	$ 599,763
Promissory note issued to the Industrial Development Board of the Metropolitan Government of Nashville and Davidson County. Total borrowings under this note amounted to $2,300,000. The proceeds of the borrowing were used to purchase a warehouse facility for distribution operations. The note requires monthly payments of principal and interest (5.08% per annum) of $24,485 with a final maturity of June 8, 2017. The note is collateralized by real estate which was financed by the debt. The loan agreement contains various financial and other covenants, which the Organization has met at December 31, 2012 and 2011.	1,188,548	1,414,607
Promissory note issued to the Industrial Development Board of the Metropolitan Government of Nashville and Davidson County. Total borrowings under this note amounted to $4,350,000. The proceeds of the borrowing were used to refinance the new Career Solutions operations facility completed during 2010. The note provided for interest only payments at 2.80% per annum through February 2011. Thereafter, the note requires monthly payments of principal and interest (2.80% per annum) of $45,612 with a final maturity of February 1, 2020. The note is collateralized by the Career Solutions building. The loan agreement contains various financial and other covenants, which the Organization has met at December 31, 2012 and 2011.	3,550,412	3,991,629

NOTE 5 – NOTES PAYABLE (Continued)

	2012	2011
Promissory note issued to the Industrial Development Board of the Metropolitan Government of Nashville and Davidson County. Total initial borrowings under this note amounted to $1,140,000. Additional borrowings continued as construction progressed and totaled $2,900,000 when construction was completed. The proceeds of the borrowing were used to construct a facility that contains a retail store, attended donation center, and Career Solutions center. The note provided for interest only payments through the construction period. Thereafter, the note requires monthly payments of principal and interest (2.57% per annum) of $29,657 with a final maturity of December 21, 2021. The note is collateralized by the Mill Creek building. The loan agreement contains various financial and other covenants, which the Organization has met at December 31, 2012 and 2011.	2,852,228	1,140,000
	7,940,432	7,145,999
Less current portion	(1,259,918)	(932,581)
Long-term portion	$ 6,680,514	$ 6,213,418

Required principal payments on the notes payable are as follows at December 31, 2012:

Year ending December 31,	
2013	$ 1,259,918
2014	1,098,788
2015	1,043,985
2016	1,079,234
2017	981,473
Thereafter	2,477,034
	$ 7,940,432

Interest expense associated with notes payable is reflected in the statements of activities for the years ended December 31, 2012 and 2011 as $213,101 and $226,687, respectively.

NOTE 6 – CONCENTRATIONS

Financial instruments that potentially subject the Organization to credit risk consist principally of cash and cash equivalents, investments, and trade receivables. Cash balances are maintained at times in excess of Federal Deposit Insurance Corporation insured amounts.

NOTE 7 – COMMITMENTS

The annual rentals under lease contracts for the Organization's retail stores and other facilities totaled $4,912,187 and $4,444,100 for 2012 and 2011, respectively. The following is a schedule by year of future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of December 31, 2012.

Year ending December 31,	
2013	$ 5,567,208
2014	5,068,388
2015	4,791,009
2016	4,211,435
2017	3,796,258
Thereafter	10,508,610
	$ 33,942,908

NOTE 8 – GRANTS

The Organization receives grants and awards from governmental agencies and private foundations that are used to fund various programs. A brief description of each grant and the related program(s) follows:

Division of Intellectual Disabilities Services ("DIDS") Day Services

Day Services assist individuals with developmental disabilities in learning appropriate work, social skills and habits within the Goodwill work environment.

Metropolitan Development and Housing Agency ("MDHA") (Youth Enrichment Grant) (two programs: Summer Work Services and TRAC)

Summer Work Services provides youth, age 16-18 with disabilities or who are considered disadvantaged, with paid work opportunities both within Goodwill and at community employers.

TRAC training program provides youth, age 14-18 with disabilities or who are considered disadvantaged, with customer service skills and job readiness training.

NOTE 8 – GRANTS (Continued)

Good Prospects program

Goodwill Industries International is the primary grantee of a Department of Labor grant to improve internet connectivity and provide additional computers to the Organization's Career Solutions centers and to provide industry-recognized, certificate training for counselors. The Organization is a sub-grantee, receiving $349,300 over a two year period. The grant expired in June 2012.

Department of Human Services ("DHS") Vocational Evaluation/Work Adjustment

The State of Tennessee Department of Human Services, Division of Vocational Rehabilitation provided fee reimbursement for work assessments and on-the-job work experiences for individuals with disabilities.

Regional Transit Authority ("RTA")

The Regional Transit Authority provided partial funding for an administrative assistant. A portion of this assistant's responsibilities includes providing bus passes to qualifying Goodwill clients. This program expires September 2013.

Microsoft Digital Literacy

In 2011, the Microsoft Unlimited Potential program awarded Goodwill a grant of $236,000. The grant provides for trainers to teach digital literacy classes for the clients in the areas of on-line job search, resume development, completing on-line applications and basic computer literacy. This program expired in December 2012.

Clarksville Operation Defiance

The City of Clarksville provided funding for a case manager to serve the residents of the New Providence neighborhood with job placement and supporting services. Neighborhood events are conducted in order to connect the residents with the police officers to encourage safety and to reduce crime. Total reimbursement for this grant is up to $160,000. This grant expires September 2014.

Columbia Operation Reintegration

The City of Columbia provided funding for a case manager to provide job services and connect with clients to support services to reduce/eliminate recidivism. The clients served are ex-felons in certain categories referred by the parole/probation officers. The grant reimbursement will not exceed $148,420 over a three year period. This grant expires in December 2014.

NOTE 8 – GRANTS (Continued)

Beyond Jobs

Goodwill International is the primary guarantee of a grant provided by the Wal-Mart Foundation to provide at risk women job services and financial literacy classes for a six month period. The grant reimbursement may not exceed $158,567 over a three year period. This grant expires in December 2014.

The Organization also receives training fees from governmental agencies used to provide additional occupational skill training. Community-based organizations and some employers pay for their clients to participate in computer, forklift or security guard training.

A summary of fees and grants from governmental agencies as reported in the accompanying statements of activities follows:

	2012	2011
Training Fees/Private Pay/Community Work Sites	$ 220,881	$ 231,219
Good Prospects (Goodwill International)	85,965	172,568
DIDS Day Services/Follow Along	61,720	67,642
Clarksville Operation Defiance	34,988	-
Columbia Operation Reintegration	28,259	-
DHS Vocational Evaluation/Work Adjustment/JDP	17,955	27,675
MDHA – Youth Enrichment	12,500	23,721
TRAC training program	12,500	-
Regional Transit Authority	10,170	293
Beyond Jobs	9,167	-
Other	1,319	757
Microsoft Digital Literacy	-	236,000
	$ 495,424	$ 759,875

NOTE 9 – RETIREMENT PLANS

On May 1, 1991, the Organization implemented the Goodwill Industries of Middle Tennessee Retirement Plan (the "Plan") pursuant to Section 403(b) of the Internal Revenue Code of 1986 (the "Code"), as amended. Under the terms of the Plan, each eligible employee may contribute a percentage of wages subject to certain limitations. The Organization may match employee contributions at its discretion. For 2012 and 2011, the Organization matched employee contributions up to 4% of employee wages. Contributions to the Plan are used to purchase annuities on behalf of the employees. Retirement plan expense for 2012 and 2011 totaled $293,131 and $279,273, respectively, and is included in employee benefits in the accompanying statements of functional expenses.

NOTE 9 – RETIREMENT PLANS (Continued)

During 2002, the Organization established a deferred compensation plan ("the 457 Plan") pursuant to Code Section 457. The 457 Plan provides for pre-tax salary deferrals for key employees. Amounts held at December 31, 2012 and 2011 amounted to $881,443 and $682,813, respectively.

NOTE 10 – SELF–FUNDED HEALTH INSURANCE

During 2003, the Organization began to self-fund health benefits for eligible employees and their dependents. Health insurance expense is recorded on an accrual basis. An accrued liability is recorded at year-end, which estimates the incurred but not reported claims. The liability amounted to $672,935 and $516,986 at December 31, 2012 and 2011, respectively and is included in accounts payable and accrued expenses in the accompanying statements of financial position. The Organization has stop loss insurance to cover catastrophic claims.

NOTE 11 – RELATED PARTY TRANSACTIONS

During the normal course of business, the Organization purchased advertising services in the amount of $962,795 and $848,296 in 2012 and 2011, respectively, from a company affiliated with a member of the board of directors. The arrangement was approved by the board of directors prior to commencement.

During 2012 and 2011, the Organization purchased legal services in the amount of $12,499 and $26,170, respectively, from a firm affiliated with a member of the board of directors.

During 2012 and 2011, the Organization purchased legal services in the amount of $28,245 and $10,303, respectively, from a firm affiliated with a member of the board of directors.

The Organization has entered into an administrative agreement with Government Services, Inc. ("GS") to provide limited administrative and management services to GS. The total amount of management fees earned by the Organization was $120 and $2,020 in 2012 and 2011, respectively.

During 2011 and previous years, the Organization paid certain expenses on behalf of GS. At December 31, 2012 and 2011, the Organization was due $12,790 and $77,458, respectively, from GS. This receivable is included in accounts and grants receivable in the accompanying statements of financial position.

During 2011, the Organization purchased insurance in the amount of $168,515 from a company affiliated with a member of the board of directors.

During 2012, the Organization paid insurance brokerage fees in the amount of $40,000 to a company affiliated with a member of the board of directors.

NOTE 11 – RELATED PARTY TRANSACTIONS (Continued)

During 2012, the Organization purchased construction services in the amount of $526,559 from a company affiliated with a member of the board of directors.

NOTE 12 – SUBSEQUENT EVENT

Subsequent to December 31, 2012, the Organization purchased land in Mt. Juliet, TN for $1,555,000 upon which it intends to build a facility that contains a retail store, donation express center, and Career Solutions center.