

**GOODWILL INDUSTRIES OF  
MIDDLE TENNESSEE, INC.**

**FINANCIAL STATEMENTS**

**December 31, 2008 and 2007**

**GOODWILL INDUSTRIES OF MIDDLE TENNESSEE, INC.**

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of Goodwill Industries of Middle Tennessee, Inc. (a nonprofit organization) as of December 31, 2008, and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of Goodwill Industries of Middle Tennessee, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Goodwill Industries of Middle Tennessee, Inc. as of December 31, 2007, were audited by other auditors whose report dated April 8, 2008 expressed an unqualified opinion on those statements.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2008, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*Frasier, Dean & Howard PLLC*

March 23, 2009

**GOODWILL INDUSTRIES OF MIDDLE TENNESSEE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2008 and 2007**

	<b>2008</b>	<b>2007</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 3,578,487	\$ 2,304,300
Accounts and grants receivable, net	435,035	481,673
Inventory	1,126,247	1,011,936
Prepaid expenses	252,135	288,558
Total current assets	5,391,904	4,086,467
Noncurrent assets:		
Investments - board designated	2,128,411	2,144,295
Investments - deferred compensation plan	290,279	382,392
Land, buildings and equipment, net of accumulated depreciation of \$11,542,193 and \$10,268,293, respectively	18,555,931	18,681,520
Other	59,770	65,745
Total assets	\$ 26,426,295	\$ 25,360,419
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 3,092,224	\$ 2,801,088
Deferred revenue	7,579	-
Current portion of notes payable	833,954	811,639
Total current liabilities	3,933,757	3,612,727
Noncurrent liabilities:		
Deferred compensation plan liability	290,279	382,392
Notes payable, net of current portion	5,322,301	6,144,670
Total liabilities	9,546,337	10,139,789
Net assets:		
Unrestricted net assets:		
Designated for long-term investment	2,128,411	2,144,295
Other unrestricted	14,746,547	13,076,335
Total unrestricted net assets	16,874,958	15,220,630
Temporary restricted net assets	5,000	-
Total net assets	16,879,958	15,220,630
Total liabilities and net assets	\$ 26,426,295	\$ 25,360,419

See accompanying notes.

**GOODWILL INDUSTRIES OF MIDDLE TENNESSEE, INC.**  
**STATEMENTS OF ACTIVITIES**  
**For the years ended December 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
Changes in unrestricted net assets:		
Revenue, gains, and other support		
Store sales, net of related discounts	\$ 24,628,962	\$ 22,263,074
Contributed value of donated merchandise	<u>13,443,413</u>	<u>12,175,999</u>
Retail operations	38,072,375	34,439,073
Salvage sales	2,936,451	2,651,448
Grants and fees received	253,493	240,567
Contract income	203,979	343,572
Administrative fees revenue	74,937	65,497
Other	53,288	78,244
United Way contributions	50,930	53,854
Contributions	45,169	77,257
Investment (loss) income, net	<u>(213,236)</u>	<u>211,384</u>
Total revenue and other support	<u>41,477,386</u>	<u>38,160,896</u>
Expenses:		
Program services	35,213,685	31,998,576
Supporting services	<u>4,609,373</u>	<u>4,254,933</u>
Total expenses	<u>39,823,058</u>	<u>36,253,509</u>
Increase in unrestricted net assets	1,654,328	1,907,387
Changes in temporarily restricted net assets:		
Revenues:		
Contributions	<u>5,000</u>	<u>-</u>
Total revenues	<u>5,000</u>	<u>-</u>
Increase in temporarily restricted net assets	<u>5,000</u>	<u>-</u>
Increase in net assets	1,659,328	1,907,387
Net assets, beginning of year	<u>15,220,630</u>	<u>13,313,243</u>
Net assets, end of year	<u><u>\$ 16,879,958</u></u>	<u><u>\$ 15,220,630</u></u>

See accompanying notes.

**GOODWILL INDUSTRIES OF MIDDLE TENNESSEE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the year ended December 31, 2008**

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 19,661,956	\$ 2,593,169	\$ 22,255,125
Occupancy	6,352,211	172,732	6,524,943
Payroll taxes	2,061,897	207,865	2,269,762
Employee benefits	1,385,421	169,226	1,554,647
Supplies	1,396,250	82,642	1,478,892
Advertising, printing and publications	937,698	108,627	1,046,325
Travel and vehicles	779,736	54,318	834,054
Credit card fees	410,146	403	410,549
Interest	147,029	163,348	310,377
Telephone	194,148	55,548	249,696
Insurance	225	244,255	244,480
Professional fees	132,114	110,734	242,848
Equipment rent and maintenance	140,287	16,341	156,628
Dues payment to affiliated organization	-	143,352	143,352
Postage	111,795	11,556	123,351
Noncapitalized purchases	47,265	39,140	86,405
Employee relations	5,115	41,880	46,995
Other	26,418	16,166	42,584
Bank service charge	27,469	13,969	41,438
Conferences and meetings	3,918	6,185	10,103
Dues	5,206	4,213	9,419
Awards and grants	2,142	1,430	3,572
	<hr/>	<hr/>	<hr/>
Total expenses before depreciation	33,828,446	4,257,099	38,085,545
	<hr/>	<hr/>	<hr/>
Depreciation	1,385,239	352,274	1,737,513
	<hr/>	<hr/>	<hr/>
Total expenses	<u>\$ 35,213,685</u>	<u>\$ 4,609,373</u>	<u>\$ 39,823,058</u>

See accompanying notes.

**GOODWILL INDUSTRIES OF MIDDLE TENNESSEE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the year ended December 31, 2007**

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 17,944,837	\$ 2,380,930	\$ 20,325,767
Occupancy	5,787,090	147,926	5,935,016
Payroll taxes	1,887,160	233,399	2,120,559
Employee benefits	1,234,337	168,495	1,402,832
Supplies	1,257,996	77,309	1,335,305
Advertising, printing and publications	833,068	129,174	962,242
Travel and vehicles	653,923	56,602	710,525
Credit card fees	331,450	240	331,690
Interest	162,173	135,305	297,478
Insurance	3,348	228,448	231,796
Telephone	184,166	46,591	230,757
Professional fees	140,860	75,097	215,957
Equipment rent and maintenance	134,768	9,696	144,464
Dues payment to affiliated organization	-	139,044	139,044
Employee relations	4,730	94,159	98,889
Noncapitalized purchases	68,644	22,656	91,300
Postage	78,223	10,563	88,786
Bank service charge	20,701	6,270	26,971
Other	22,671	4,124	26,795
Conferences and meetings	12,453	7,314	19,767
Dues	5,285	4,739	10,024
Awards and grants	1,820	1,100	2,920
	<hr/>	<hr/>	<hr/>
Total expenses before depreciation	30,769,703	3,979,181	34,748,884
	<hr/>	<hr/>	<hr/>
Depreciation	1,228,873	275,752	1,504,625
	<hr/>	<hr/>	<hr/>
Total expenses	<u>\$ 31,998,576</u>	<u>\$ 4,254,933</u>	<u>\$ 36,253,509</u>

See accompanying notes.

**GOODWILL INDUSTRIES OF MIDDLE TENNESSEE, INC.**

**STATEMENTS OF CASH FLOWS**

**For the years ended December 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
Change in net assets:	\$ 1,659,328	\$ 1,907,387
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,737,513	1,504,625
Loss on disposal of fixed asset	12,151	-
Losses (gains) on investments, net	301,580	(89,572)
Losses (gains) on investments, net - 457 plan	160,396	96,477
Change in operating assets and liabilities:		
Accounts and grants receivable, net	46,638	32,829
Inventory	(114,311)	(99,387)
Prepaid expenses	36,423	239
Other assets	5,975	(1,400)
Accounts payable and accrued expenses	199,023	335,184
Deferred revenue	<u>7,579</u>	<u>(5,244)</u>
Net cash provided by operating activities	<u>4,052,295</u>	<u>3,681,138</u>
Cash flows from investing activities:		
Purchases of investments	(585,365)	(1,403,841)
Proceeds from sale of investments	231,386	903,504
Purchase of land, buildings, and equipment	<u>(1,624,075)</u>	<u>(5,552,913)</u>
Net cash used in investing activities	<u>(1,978,054)</u>	<u>(6,053,250)</u>
Cash flows from financing activities:		
Principal payments on notes payable	(800,054)	(692,987)
Proceeds from issuance of notes payable	<u>-</u>	<u>2,300,000</u>
Net cash (used in) provided by financing activities	<u>(800,054)</u>	<u>1,607,013</u>
Net increase (decrease) in cash and cash equivalents	1,274,187	(765,099)
Cash and cash equivalents, beginning of year	<u>2,304,300</u>	<u>3,069,399</u>
Cash and cash equivalents, end of year	<u><u>\$ 3,578,487</u></u>	<u><u>\$ 2,304,300</u></u>
Supplemental cash flow information:		
Cash paid during the year for interest	<u><u>\$ 287,760</u></u>	<u><u>\$ 297,478</u></u>

See accompanying notes.



**GOODWILL INDUSTRIES OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008 and 2007**

**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 Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report 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 statement of activities as net assets released from restrictions. The Organization had temporarily restricted net assets of \$5,000 and \$0 at December 31, 2008 and 2007, 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, 2008 and 2007.

**Contributions**

The Organization accounts for contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support

**GOODWILL INDUSTRIES OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2008 and 2007**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Contributions (Continued)**

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.

**Investment Securities**

The Organization accounts for investments in accordance with SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

**Inventory**

The inventory of merchandise consists of items donated to the Organization. SFAS No. 116 requires 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 2008 and 2007, the Organization recognized contributed merchandise with an estimated fair value of \$13,443,413 and \$12,175,999, 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.

**Property and Depreciation**

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. 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

**GOODWILL INDUSTRIES OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2008 and 2007**

**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.

**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.

**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 under SFAS No. 116 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.

**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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Advertising Expense**

The Organization expenses advertising costs as incurred. Advertising costs charged to expense totaled \$910,275 in 2008 and \$809,201 in 2007.

**Cash and Cash Equivalents**

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**GOODWILL INDUSTRIES OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2008 and 2007**

**NOTE 2 – ACCOUNTS AND GRANTS RECEIVABLE**

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

	<u>2008</u>	<u>2007</u>
Trade, contract services and other	\$ 432,244	\$ 469,297
Billings under grants and rehabilitation programs	<u>6,561</u>	<u>16,146</u>
	438,805	485,443
Less: Allowance for uncollectibles	<u>(3,770)</u>	<u>(3,770)</u>
Accounts and grants receivable, net	<u>\$ 435,035</u>	<u>\$ 481,673</u>

**NOTE 3 – INVESTMENTS**

Investments consist of the following at December 31:

	<u>2008</u>		
	<u>Cost or Donated Value</u>	<u>Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Investments-Board Designated:			
Equitable Trust Funds	\$ 2,356,683	\$ 2,128,411	\$ (228,272)
457(b) Plan T. Rowe Price	<u>349,117</u>	<u>290,279</u>	<u>(58,838)</u>
	<u>\$ 2,705,800</u>	<u>\$ 2,418,690</u>	<u>\$ (287,110)</u>
	<u>2007</u>		
	<u>Cost or Donated Value</u>	<u>Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Investments-Board Designated:			
Equitable Trust Funds	\$ 2,069,396	\$ 2,144,295	\$ 74,899
457(b) Plan T. Rowe Price	<u>294,200</u>	<u>382,392</u>	<u>88,192</u>
	<u>\$ 2,363,596</u>	<u>\$ 2,526,687</u>	<u>\$ 163,091</u>

Investment income, net is comprised of the following:

	<u>2008</u>	<u>2007</u>
Interest and dividend income	\$ 88,344	\$ 121,812
Net realized and unrealized investment (losses) gains	<u>(301,580)</u>	<u>89,572</u>
Investment (losses) income, net	<u>\$ (213,236)</u>	<u>\$ 211,384</u>

**GOODWILL INDUSTRIES OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2008 and 2007**

**NOTE 4 – LAND, BUILDINGS AND EQUIPMENT**

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

	<u>2008</u>	<u>2007</u>
Land	\$ 3,896,842	\$ 3,896,842
Buildings	11,632,392	11,630,756
Building improvements	2,147,426	1,954,672
Leasehold improvements	2,744,353	2,752,989
Plant equipment	2,041,933	1,908,911
Store equipment	2,939,218	2,861,964
Office equipment	2,014,559	1,809,271
Material collection vehicles and equipment	2,300,716	2,134,408
Construction in progress	380,685	-
	<u>30,098,124</u>	<u>28,949,813</u>
Less accumulated depreciation	<u>(11,542,193)</u>	<u>(10,268,293)</u>
	<u>\$ 18,555,931</u>	<u>\$ 18,681,520</u>

**NOTE 5 – LONG-TERM DEBT**

Long-term debt consists of the following at December 31:

	<u>2008</u>	<u>2007</u>
Promissory note issued to the Industrial Development Board of the Metropolitan Government of Nashville and Davidson County. Total borrowings under the note amounted to \$3,000,000. The proceeds of the borrowing were used to construct a facility used for processing operations and administrative offices. The note requires monthly payments of principal and interest in the amount of \$23,072 (4.30% per annum) with a final maturity of March 2013. The note is secured by the land, buildings, furniture and equipment financed from the debt. The loan agreement contains various financial and other covenants, which the Organization has met at December 31, 2008 and 2007.	\$ 1,082,400	\$ 1,306,595

**GOODWILL INDUSTRIES OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2008 and 2007**

**NOTE 5 – LONG-TERM DEBT (continued)**

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 requires interest only payments until April 2004 at which time monthly payments of principal and interest (3.75% per annum) of \$22,420 are required. The note matures in April 2014. This note is secured by the real estate. The loan agreement contains various financial and other covenants, which the Organization has met at December 31, 2008 and 2007.

	1,296,872	1,511,998
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Promissory note issued to the Industrial Development Board of Williamson County. Total borrowings under the note amounted to \$2,000,000. The proceeds of the borrowing were used to construct a facility that contains a retail store, attended donation center, and employment and training services. The note requires interest only payments until June 2007. From June 2007 until the maturity at May 2017 principal and interest (5.06% per annum) payments of \$21,272 are due monthly. The note is collateralized by land, buildings, furniture and equipment. The loan agreement contains various financial and other covenants, which the Organization has met at December 31, 2008 and 2007.

	1,749,358	1,910,109
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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, 2008 and 2007.

	2,027,625	2,211,537
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**GOODWILL INDUSTRIES OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2008 and 2007**

**NOTE 5 – LONG-TERM DEBT (Continued)**

Other notes payable	<u>-</u>	<u>16,070</u>
	6,156,255	6,956,309
Less current portion	<u>(833,954)</u>	<u>(811,639)</u>
Long-term portion	<u>\$ 5,322,301</u>	<u>\$ 6,144,670</u>

Required principal payments on the long-term debt are as follows:

Year ending <u>December 31,</u>	
2009	\$ 833,954
2010	859,535
2011	899,544
2012	940,972
2013	787,162
Thereafter	<u>1,835,088</u>
	<u>\$ 6,156,255</u>

The Organization also has a \$1,500,000 line-of-credit with a bank. Payments of interest only at the LIBOR rate plus 1.25% per annum are due through June 2009 at which time any outstanding interest and principal are due. Available borrowings at December 31, 2008 and 2007 were \$1,500,000.

**NOTE 6 – COMMITMENTS**

The annual rentals under lease contracts for the Organization's retail stores and other facilities totaled \$3,847,617 and \$3,472,818 for 2008 and 2007, respectively. The following is a schedule by years 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, 2008.

Year ending <u>December 31,</u>	
2009	\$ 3,859,195
2010	3,326,265
2011	2,494,729
2012	1,768,360
2013	1,090,314
Thereafter	<u>1,692,928</u>
	<u>\$ 14,231,791</u>

**GOODWILL INDUSTRIES OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2008 and 2007**

**NOTE 7 – 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 8 – GRANTS**

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

Department of Mental Health and Developmental Disabilities (two programs: Day Services and Follow Along Services)

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

Follow Along Services provide individuals with developmental disabilities counseling, training, support and job coaching as needed at a community employer's facility. These services help individuals maintain employment for an extended period of time.

Metropolitan Development and Housing Agency (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.

The Organization also receives training fees from governmental agencies used to provide additional occupational skill training.



**GOODWILL INDUSTRIES OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2008 and 2007**

**NOTE 8 – GRANTS (Continued)**

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

	<u>2008</u>	<u>2007</u>
DMHMR Day Services/Follow Along	\$ 92,957	\$ 97,315
Training Fees/Private Pay/Community Work Sites	132,103	111,331
DHS Vocational Evaluation/Work Adjustment/JDP	5,850	9,440
MDHA – Youth Enrichment	22,483	16,060
Other	<u>100</u>	<u>6,421</u>
	<u>\$ 253,493</u>	<u>\$ 240,567</u>

**NOTE 9 – RETIREMENT PLAN**

On May 1, 1991, the Organization implemented the Goodwill Industries of Middle Tennessee Retirement 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 2008 and 2007, 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. Total retirement plan expense for 2008 and 2007 totaled \$159,973 and \$152,448, respectively, and is included in employee benefits in the accompanying statements of functional expenses.

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, 2008 and 2007 amounted to \$290,279 and \$382,392, 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 \$316,221 and \$336,952 at December 31, 2008 and 2007, respectively. The Organization has stop loss insurance to cover catastrophic claims.

**GOODWILL INDUSTRIES OF MIDDLE TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2008 and 2007**

**NOTE 11 – RELATED PARTY TRANSACTIONS**

During 2008 and 2007, the Organization had an agreement, with an investment company affiliated with a member of the Board of Directors, to perform services for the Organization as its agent in connection with negotiations regarding various financial arrangements of the Organization pursuant to the Investment Management Agreement. The investment company has agreed to render financial advisory and related services to the Organization on a pro-bono basis. The arrangement was approved by the Board of Directors prior to commencement.

During 2008, the Organization purchased office equipment in the amount of \$69,715 from a company owned by a member of the Board of Directors.

During the normal course of business, the Organization purchased advertising services in the amount of approximately \$448,334 and \$504,935 in 2008 and 2007, 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 2008 and 2007, the Organization entered purchased legal services in the amount of \$30,904 and \$14,278, respectively, from a firm affiliated with a member of the Board of Directors.

The Organization has entered into an administrative agreement with Goodwill Government Services, Inc. (GGS) to provide limited administrative and management services to GGS. The total amount of management fees received by the Organization was \$74,937 and \$65,497 in 2008 and 2007, respectively.

During 2008 and 2007, the Organization paid certain expenses on behalf of GGS. At December 31, 2008 and 2007, the Organization was due \$64,785 and \$62,176, respectively, from GGS. This receivable is included in accounts and grants receivable in the accompanying statements of financial position.

During 2007, the Organization purchased construction services in the amount of \$1,000,463 from a company affiliated with a member of the Board of Directors.

The Organization received contributions of \$29,678 during 2007 from a will for which a member of the Board of Directors was named as the trustee.