Goodwill Industries of Toronto

Financial Statements
December 31, 2012

McGovern, Hurley, Cunningham, LLP
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Directors of
Goodwill Industries of Toronto

We have audited the accompanying financial statements of Goodwill Industries of Toronto (the "Organization"), which comprise the balance sheets as at December 31, 2012, December 31, 2011 and January 1, 2011 and the statements of changes in fund balances, statements of operations and statements of cash flows for the years ended December 31, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations and for such internal control as management determines is necessary to enable the preparation 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 audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Goodwill Industries of Toronto as at December 31, 2012, December 31, 2011, and January 1, 2011 and its financial performance and its cash flows for the years ended December 31, 2012 and 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates the existence of a material uncertainty that may cast significant doubt about the Organization's ability to continue as a going concern.

McGOVERN, HURLEY, CUNNINGHAM, LLP

McGovern, Hurley, Cunningham LLP

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
May 28, 2013

Goodwill Industries of Toronto
Balance Sheets
As at

	December 31, 2012	December 31, 2011	January 1, 2011
	$	$	$
Assets			
Current assets			
Cash -Unrestricted	1,961,333	2,074,388	387,140
-Restricted (Note 13)	135,298	451,043	170,879
Accounts and other receivables (Note 14)	639,956	629,859	803,830
Supplies inventories	37,844	28,968	34,762
Prepaid expenses	229,201	284,007	287,891
Total current assets	3,003,632	3,468,265	1,684,502
Property and equipment, net (Note 6)	1,836,225	2,386,158	3,503,077
Total assets	4,839,857	5,854,423	5,187,579
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	2,132,858	2,266,337	2,138,414
Accrued wages and vacation pay	949,622	1,296,991	1,160,222
Current portion of lease inducements and lease provision	214,358	256,015	347,707
Current portion of mortgage payable (Note 7)	-	-	43,728
Current portion of long term loan (Note 11)	52,909	99,300	-
Current portion of obligations under capital lease (Note 8)	60,424	54,958	44,040
Current portion due to Goodwill Industries International, Inc. (Note 9)	16,050	14,250	12,383
Deferred revenue	240,304	657,960	307,098
Total current liabilities	3,666,525	4,645,811	4,053,592
Lease inducements and lease provision (Note 5)	821,918	1,006,461	903,699
Mortgage payable (Note 7)	-	-	790,705
Long term loan (Note 11)	8,750	61,659	-
Obligations under capital lease (Note 8)	81,191	141,616	161,770
Due to Goodwill Industries International, Inc. (Note 9)	79,061	95,111	108,878
Total liabilities	4,657,445	5,950,658	6,018,644
Fund balances (deficit)			
Invested in property and equipment	1,694,608	2,189,583	3,297,267
Unrestricted	(1,512,196)	(2,285,818)	(4,128,332)
Total surplus (deficit)	182,412	(96,235)	(831,065)
Total liabilities and fund balance	4,839,857	5,854,423	5,187,579

Going concern (Note 1)
Commitments and contingencies (Notes 11 and 12)

APPROVED ON BEHALF OF THE BOARD:

Signed "JOAN GREEN" , Director   Signed "YAZDI BHARUCHA" , Director

See accompanying notes to the financial statements.

Goodwill Industries of Toronto

Statements of Changes in Fund Balances

	Invested in Property and Equipment $	Unrestricted $	Year Ended December 31, 2012 Total $	Year Ended December 31, 2011 Total $
Fund balance (deficit) - beginning of year	2,189,583	(2,285,818)	(96,235)	(831,065)
Surplus of revenues over expenditures for the year	-	278,647	278,647	734,830
Purchase of property and equipment	31,790	(31,790)	-	-
Amortization of property and equipment	(581,723)	581,723	-	-
Capital lease finance repayments	54,958	(54,958)	-	-
Fund balance surplus (deficit) - end of year	1,694,608	(1,512,196)	182,412	(96,235)

See accompanying notes to the financial statements.

Goodwill Industries of Toronto

Statements of Operations
For the year ended

	December 31, 2012 $	December 31, 2011 $
Revenues		
Sales of donated merchandise	27,605,068	26,503,475
Government projects	3,044,026	3,014,398
Other business enterprise	356,563	353,519
Cash donations	233,811	429,959
Total revenues	31,239,468	30,301,351
Expenditures		
Salaries, wages and employee benefits (Note 10)	18,693,325	19,305,845
Occupancy costs	8,769,075	8,992,002
Transportation and processing	1,101,979	1,325,116
General and administrative	1,560,736	1,773,723
Supplies, including retail stores and training	253,982	441,911
Interest on long-term debt	-	57,625
Amortization of property and equipment	581,724	772,278
Total expenditures	30,960,821	32,668,500
Net operating surplus (deficiency) before the under-noted	278,647	(2,367,149)
Write-down of leasehold improvements, net of related leasehold inducement (Note 5)	-	(574,826)
Gain on sale of building (Note 7)	-	3,676,805
Surplus of revenues over expenses	278,647	734,830

See accompanying notes to the financial statements

Continued...

Goodwill Industries of Toronto

Statements of Cash Flows
For the year ended

	December 31, 2012 $	December 31, 2011 $
Cash provided by (used in):		
Operating activities		
Surplus of revenues over expenses for the year	278,647	734,830
Non-cash items		
Amortization of property and equipment	581,724	772,278
Write-down of leasehold improvements, net of related leasehold inducement (Note 5)	-	574,826
(Gain) on sale of building	-	(3,676,805)
(Decrease) increase in lease inducements (net of amortization)	(226,200)	11,070
(Decrease) increase in deferred revenue	(417,656)	350,862
(Decrease) increase in loans (Note 11)	(99,300)	160,959
Change in non-cash working capital (Note 15)	(445,017)	448,341
Cash (used in) operating activities	(327,802)	(623,639)
Investing activities		
Net proceeds from sale of property and equipment (Note 7)	-	4,169,776
Purchase of property and equipment	(31,790)	(723,156)
Cash (used in) / provided by investing activities	(31,790)	3,446,620
Financing activities		
Repayment of obligations under capital lease	(54,958)	(9,236)
Repayment of obligation under mortgage	-	(834,433)
Repayment of amounts due to Goodwill Industries International, Inc. (Note 9)	(14,250)	(11,900)
Cash (used in) financing activities	(69,208)	(855,569)
Total (decrease) increase in cash during the year	(428,800)	1,967,412
Cash - Beginning of year	2,525,431	558,019
Cash - End of year	2,096,631	2,525,431
Cash as at December 31,		
Unrestricted	1,961,333	2,074,388
Restricted	135,298	451,043
	2,096,631	2,525,431
Supplemental information:		
Interest paid	-	57,625
Government assistance payments received (Note 13)	1,147,690	1,697,123

See accompanying notes to the financial statements

Continued...

Goodwill Industries of Toronto

Notes to the Financial Statements

December 31, 2012

1. Going concern and basis of presentation

These financial statements have been prepared using Canadian accounting standards for not-for-profit organizations applicable to a going concern. During the year ended December 31, 2012, Goodwill Industries of Toronto ("Goodwill" or the "Organization") reported a net operating surplus from operations of $278,647 (December 31, 2011 - net operating deficiency from operations - $2,367,149); and a working capital deficiency of $662,893 as at December 31, 2012 (December 31, 2011 – $1,177,546; January 1, 2011 $2,369,090) and a net use of cash in operating activities of $327,802 for the year ended December 31, 2012 (December 31, 2011 net use of cash in operating activities – $623,639). For the year ended December 31, 2012, 88% of revenues were derived from the sale of donated goods which are not reflected on the Organization's balance sheet at December 31, 2012. In order to meet its ongoing working capital requirements, Goodwill must generate sufficient cash flows from operations. In 2012, Goodwill was able to generate a positive net operating surplus from operations and net of amortization, a surplus of $860,371 (December 31, 2011 – deficiency of $1,594,871) both of which contributed to a stronger working capital position than in 2011.

Goodwill's ability to continue as a going concern continues to be dependent upon its ability to successfully execute its business plan and generate positive cash flows from operations. While the Organization has endured problems in the past, the financial results in 2012 are a positive trend and represent an ongoing commitment by management to return Goodwill to operational stability as a going concern. It is expected that as continued progress is made in this area in the coming fiscal year, this will eliminate the going concern risk that currently exists.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

2. Purpose of the organization

The mission of Goodwill is to create work opportunities and skills development for people facing serious barriers to employment, including persons with disabilities, youth at risk, the chronically unemployed, aboriginal people and newcomers to Canada.

Goodwill creates work by operating community retail stores and donation centers and providing creative, environmental and janitorial services. Goodwill's community stores sell a wide variety of donated goods, the revenues of which create and sustain jobs at Goodwill. Goodwill provides workforce development programs that offer individual and employer matching, job placement, skills development, employee counseling and a resource information centre.

For the year ended December 31, 2012, operations were funded 88% (December 31, 2011 – 87%) through the sale of donated merchandise and 10% (December 31, 2011 – 10%) from government grants. Cash donations and other business enterprises funded the remaining 2% (December 31, 2011 – 3%) of operations. Goodwill is incorporated in Ontario as a not-for-profit organization and is not subject to income tax as a registered charity under the Income Tax Act.

3. Summary of significant accounting policies

The financial statements of Goodwill are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The policies set out below were consistently applied to all the periods presented unless otherwise noted (see Note 4). Outlined below are those principles considered to be particularly significant.

Supplies inventories

Supplies inventories are valued at the lower of cost and net realizable value. Cost is determined to be the sum of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

3. Summary of significant accounting policies (continued)

Property and equipment
All machinery and equipment used in production, revenue-producing and administrative activities, major building renovations, motor vehicles, computer equipment and software over a specified amount are capitalized. Amortization rates for assets are on a straight-line basis over their estimated useful lives as follows:

Buildings	30 years
Office furniture and equipment	6 years
Leasehold improvements	4 to 15 years
Computer equipment and software	3 years
Motor vehicles	3 years
Telephone equipment	5 years
Motor vehicles under capital leases	5 years
Equipment under capital leases	5 years

The cost of leasehold improvements, and equipment and motor vehicles under capital leases are amortized over the terms of the respective leases. When circumstances indicate potential impairment, long-lived assets such as property and equipment are written-down to the fair value if the net carrying amount of the asset exceeds the net recoverable amount, calculated as the sum of the undiscounted cash flows related to the asset.

Donated goods and services
No amount is recorded in the financial statements for goods donated for sale or resale or donated services, since the fair value of such goods and services cannot reasonably be estimated. The sale of donated goods is recognized as revenue when sold.

Revenue recognition
Goodwill follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the period in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be estimated and collection is reasonably assured.

Sales of donated merchandise, tertiary market and recycling and other business enterprise revenues reflect revenues that have been earned during the period for which goods and services have been provided.

Government grants are recognized as revenue in the period in which the related expenses are incurred and collection is reasonably assured.

Cash donations revenue reflects bequests and other cash donations that have been pledged during the period. Donation pledges are not recognized as revenue until received.

Other business enterprise revenue reflects services provided to other organizations. Other business enterprise revenue is recognized as services are provided if the amount to be received can be estimated and collection is reasonably assured.

Employee benefits
Goodwill has a defined contribution pension plan. The assets of the pension plan are held separately from those of Goodwill. Pension costs of the defined contribution pension plan are expensed as incurred.

Measurement uncertainty
The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions about future events that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Significant estimates include the valuation of accounts and other receivables and the estimated useful lives of property and equipment. Goodwill regularly reviews its estimates and assumptions; however, actual results could differ from those estimates and these

3. Summary of significant accounting policies (continued)

differences could be material.

Leases
Leases have been classified as either capital or operating. A lease which transfers substantially all the benefits and risks incidental to the ownership of property is accounted for as if it were an acquisition of an asset and the incurrence of an obligation at the inception of the lease. All other leases are accounted for as operating leases wherein rental payments are charged to operations as incurred.

Deferred lease inducements
Goodwill's long-term lease agreements for its corporate offices and retail space include certain lease inducements. These inducements consist of periods with free or reduced rental payments. The lease inducement benefits are amortized on a straight-line basis over the term of the lease as a reduction in rental expense.

Foreign currency translation
Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars, the Organization's functional currency, at the year-end exchange rates and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at average rates in effect during the year. Foreign exchange translation gains and losses are recorded in operations in the year in which they occur.

Financial instruments - recognition and measurement
All financial instruments are measured at fair value on initial recognition except for certain related party transactions. Measurement in subsequent periods depends on the classification of these instruments. The Organization did not classify any financial instruments as held-for-trading or available-for-sale during the years ended December 31, 2012 and 2011. The financial assets and liabilities classified as loans and receivables and other liabilities are measured at amortized cost.

Comparative figures
Certain comparative figures have been reclassified to conform to the presentation adopted for the current year.

4. Change in basis of accounting

Canadian Accounting Standards for Not-for-Profit Organizations
Effective January 1, 2011, the Organization adopted the requirements of Part Ill of the Canadian Institute of Chartered Accountants ("CICA") Accounting Handbook and has adopted Canadian accounting standards for not-for-profit organizations. This framework is in accordance with Canadian GAAP. These are the first financial statements prepared in accordance with the new framework which has been applied retrospectively. The accounting policies set out in the significant accounting policies note have been applied in preparing the financial statements for the year ended December 31, 2012, the comparative information presented in these financial statements for the year ended December 31, 2011 and in the preparation of the opening balance sheet at January 1, 2011, which is the Organization's date of transition.

The Organization previously issued financial statements for the year ended December 31, 2011 using generally accepted accounting principles prescribed by the CICA Handbook – Accounting XFI. The adoption of Canadian accounting standards for not-for-profit organizations had no impact on the previously reported assets, liabilities and net assets of the Organization, and accordingly, no adjustments have been recorded in the comparative balance sheets, statement of operations, statement of changes in fund balances and statement of cash flows. Certain of the Organization's presentation and disclosures included in these financial statements reflect the new presentation and disclosure requirements of Canadian accounting standards for not-for-profit organizations.

5. Write-down of leasehold improvements and lease provision

During the year ended December 31, 2011, Goodwill entered into a sublet lease agreement for premises which had leasehold improvements with a net book value of $720,038. The Organization recorded a liability for the remaining lease rentals, reduced by actual sublease rentals, measured at the date the Organization ceased to use the facility. The liability will be adjusted for any revisions to estimated cash flows after the cease-use date measured using the credit-adjusted, risk free rate. As at December 31, 2012, the balance of this liability is $128,914 (December 31, 2011 - $186,355) and has been classified as a long-term liability, grouped with lease inducements for financial statement presentation purposes. The Organization recorded accretion expense of $27,294 in the year ended December 31, 2012 (year ended December 31, 2011 - $9,388) in relation to this lease in the statement of operations.

6. Property and equipment

	December 31, 2012		
	Cost $	Accumulated Amortization $	Net $
Office furniture and equipment	2,139,637	1,929,721	209,916
Leasehold improvements	3,210,225	1,747,180	1,463,045
Computer equipment and software	155,652	140,058	15,594
Telephone equipment	181,898	181,898	-
Motor vehicles under capital leases	252,423	215,653	36,770
Equipment under capital lease	260,695	149,795	110,900
	6,200,530	4,364,305	1,836,225

	December 31, 2011		
	Cost $	Accumulated Amortization $	Net $
Office furniture and equipment	2,139,636	1,822,503	317,133
Leasehold improvements	3,197,129	1,370,512	1,826,617
Computer equipment and software	148,806	114,480	34,326
Telephone equipment	181,898	181,898	-
Motor vehicles under capital leases	240,486	193,236	47,250
Equipment under capital lease	260,695	99,863	160,832
	6,168,650	3,782,492	2,386,158

	January 1, 2011		
	Cost $	Accumulated Amortization $	Net $
Land	47,752	-	47,752
Building	373,687	65,375	308,312
Office furniture and equipment	1,983,642	1,621,785	361,857
Leasehold improvements	3,912,576	1,434,484	2,478,092
Computer equipment and software	148,806	82,242	66,564
Telephone equipment	181,898	173,841	8,057
Motor vehicles under capital leases	205,263	183,583	21,680
Equipment under capital lease	260,695	49,932	210,763
	7,114,319	3,611,242	3,503,077

7. Sale of building and repayment of mortgage payable

On November 17, 2006, Goodwill obtained a mortgage from LMH Investments Inc. in the amount of $980,000, secured against property at 231 Richmond Street, with a net book value of $347,760 prior to its sale (January 1, 2011 - $356,064). During the year ended December 31, 2011, the property at 231 Richmond Street was sold for gross proceeds of $4,200,000 and resulted in the discharging of the related principal mortgage obligation of $805,301. The Organization recorded a gain on the sale of $nil (year ended December 31, 2011 - $3,676,805) after considering additional transaction costs paid out of the gross proceeds.

8. Obligations under capital lease

The Organization has entered into various lease agreements for motor vehicles and equipment. The interest rates implicit in the capital leases range from 2.9% to 10%. The following is a schedule of future minimum lease payments under these capital leases expiring at various dates until December 2016 together with the balance of the obligations under capital lease:

	$
2013	70,781
2014	70,781
2015	8,143
2016	7,465
	157,170
Less: imputed interest	(15,555)
	141,615
Less: current portion	(60,424)
Long-term portion	81,191

Equipment and motor vehicles securing the capital leases have a net book value of $147,670 (December 31, 2011 - $208,082; January 1, 2011 - $232,443).

9. Agreement with Goodwill Industries International, Inc.

The Organization has an agreement with Goodwill Industries International, Inc., a Massachusetts non-profit corporation ("GII") pursuant to which it is required to pay GII monthly dues. On December 7, 2009, the Organization entered into an amending agreement with GII whereby it was mutually agreed that as at September 30, 2009, the Organization owed GII US$136,811. Pursuant to the amending agreement, the Organization agreed to pay GII the full outstanding balance in non-interest bearing monthly instalments beginning October 1, 2009 and ending September 1, 2017. As at December 31, 2012, US$95,597 ($95,111) (December 31, 2011 – US$111,240 ($109,361); January 1, 2011 – US$121,920 ($121,261)) was outstanding of which US$16,132 ($16,050) (December 31, 2011 – US$14,492 ($14,250); January 1, 2011– US$12,450 ($12,383)) is due within the next year.

Current regular monthly dues (currently US$1,300 ($1,307)) are to be paid within 25 days of the invoice date. GII will assess a 1% monthly finance charge compounded on the entire outstanding balance in the event the Organization is behind 60 days on either payment of outstanding past dues or regular monthly dues.

9. Agreement with Goodwill Industries International, Inc. (continued)

Minimum payments for successive years approximate:

	CDN$	US$
2013	16,050	16,132
2014	17,700	17,790
2015	19,500	19,599
2016	22,980	23,097
2017	18,881	18,978
	95,111	95,596

10. Pension plan

Goodwill maintains a defined contribution pension plan for substantially all of its permanent employees. The pension expense for the year ended December 31, 2012 was $174,133 (year ended December 31, 2011 - $140,713). Goodwill's cash contributions for the year ended December 31, 2012 were $170,109 (period ended December 31, 2011 - $101,352). The defined contribution plan assets as at December 31, 2012 were $3,715,222 (December 31, 2011 - $3,368,702; January 1, 2011 - $3,304,850).

11. Commitments

Agreement with Goodwill Industries Manasota, Inc.

In October 2005, the organization entered into an 11-year agreement with Goodwill Industries Manasota, Inc. ("Manasota") for consulting services. The original agreement was terminated on May 1, 2008. At the time of termination, organization was determined to owe Manasota the sum of US$160,263 for consulting services rendered. By mutual agreement, it was determined that the organization will pay installments of US$1,000 weekly beginning May 1, 2008 with the full amount being due upon Goodwill's re-establishment of financial viability. As at December 31, 2012 the balance of this payable was US$8,899 (CDN$8,872) (December 31, 2011 - US$17,159 (CDN$16,872); January 1, 2011 - US$61,202 (CDN$60,872). Due to the uncertainty of the repayment date, the entire amount of the payable has been shown as current for financial statement purposes. The Organization retains the option to employ the consulting services of Manasota on an as needed basis at a fee of US$1,000 per day plus out-of-pocket expenses.

Agreement with vendor

During the year ended December 31, 2011, the Organization entered into an agreement with a vendor to settle $213,109 previously included in accounts payable. Obligations due as at December 31, 2012 are $61,659, including $52,909, due within one year. Minimum repayments for successive years are:

	$
2013	52,909
2014	8,750
	61,659

11. Commitments (continued)

Operating leases

The Organization is committed to minimum rent under long-term leases for premises, which expire at various dates until 2026. Minimum rental commitments remaining under these leases approximate $22,483,000, including $4,869,000 due within one year. Minimum rental commitments for successive years approximate:

	$
2013	4,869,000
2014	3,975,000
2015	3,371,000
2016	2,620,000
2017 and beyond	7,648,000
	22,483,000

The Organization is also responsible for its proportionate share of operating costs.

The Organization has also entered into a lease agreement for premises, which expires September 2014, where its minimum monthly rent is based on 10% of the annual net revenues for that location. As the amount of minimum rent cannot be reasonably determined, it is not included in the above schedule.

The Organization has entered into various vehicle and equipment leases, expiring at various dates until March 2016, and has accounted for them as operating leases. Obligations due as at December 31, 2012 approximate $59,400, including $52,200 due within one year. Minimum lease commitments for successive years approximate:

	$
2013	52,200
2014	3,200
2015	3,200
2016	800
	59,400

12. Contingencies

Goodwill is party to legal proceedings in the ordinary course of its operations. Management does not expect the outcome of any of these proceedings to have a materially adverse effect on the results of Goodwill's financial position and operations. Should any losses result from the resolution of these claims and disputes, they will be charged to operations in the year that they are determined.

The Organization has one dispute with a former employee for claims against the Organization totaling $365,000. The Organization has included a provision for this dispute in accounts payable and accrued liabilities as at December 31, 2012. Management does not believe that the claims of $365,000 have merit and will defend the Organization against the claims.

13. Employment Services (MTCU)

During the years ended December 31, 2012 and 2011, Goodwill received grants from the Ministry of Training, Colleges and Universities ("MTCU") to provide certain employment services. The amounts received are recognized as revenue in the period in which the related expenses are incurred. Any unspent amounts are included in deferred revenue. The excess cash received is reflected as restricted cash on the balance sheet.

	December 31, 2012 $	December 31, 2011 $
Balance, beginning of year	451,043	170,879
Amount received during the year	1,147,690	1,697,123
Amount recognized as revenue during the year	(1,463,435)	(1,416,959)
Balance, end of year	135,298	451,043

14. Related party transactions

During the year ended December 31, 2012, Goodwill advanced to an officer of the Organization $nil (year ended December 31, 2011 - $35,739) for expenses to be incurred on behalf of the Organization. As at December 31, 2012, the amount receivable from these officers was $nil (December 31, 2011 - $14,167.) and is included in accounts and other receivables on the balance sheet. This amount was unsecured, non-interest bearing, due in 60 days.

15. Change in non-cash working capital

	December 31, 2012 $	December 31, 2011 $
Accounts and other receivables	(10,097)	173,971
Supplies inventories	(8,876)	5,794
Prepaid expenses	54,806	3,884
Accounts payable and accrued liabilities	(133,492)	127,923
Accrued wages and vacation pay	(347,358)	136,769
	(445,017)	448,341

16. Financial instruments

Fair value

Canadian generally accepted accounting principles require that the Organization disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The estimated fair values of cash, accounts and other receivables, accounts payable and accrued liabilities, and accrued wages and vacation pay on the balance sheet approximate their carrying amounts due to the relatively short period to maturity of these instruments.

The estimated fair values of obligations under capital lease, mortgage payable, long term loan and amounts due to Goodwill Industries International, Inc. approximate their carrying amounts in the financial statements as their stated interest rates approximate the market interest rates.

The Organization's risk exposures and the impact on the Organization's financial instruments are summarized below. There have been no material changes in these risks, objectives, policies and procedures from the previous period.

Liquidity risk

Goodwill's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2012 Goodwill had current liabilities of $3,666,525 (December 31, 2011 - $4,645,811; January 1, 2011 - $4,053,592). A significant portion of the Organization's current trade financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. Vacation pay is payable in time off upon employee request or as cash payments in the event of a termination. The repayment terms of the other financial liabilities have been disclosed elsewhere in the notes to these financial statements.

Credit risk

The Organization's credit risk is primarily attributable to accounts and other receivables included in current assets. Credit risk on accounts receivables is minimized as a result of the constant review and evaluation of customer account balances beyond a particular age. The Organization also maintains an allowance for doubtful accounts at an estimated amount, allocating sufficient protection against losses resulting from collecting less than full payments from its receivables. As at December 31, 2012, the allowance for doubtful accounts was approximately $288,000 (December 31, 2011 - $263,000; January 1, 2011 - $259,000). Included in the accounts and other receivables is a property tax rebate receivable balance of $503,650 as at December 31, 2012 (December 31, 2011 - $479,000; January 1, 2011 - $514,800).

Interest risk

The Organization currently has no outstanding variable interest bearing loans and therefore, the Organization is not exposed to interest rate risk through fluctuation in the prime interest rate.

Foreign currency risk

The Organization functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. Foreign exchange risk is the risk that the market value of financial instruments and the associated revenues will fluctuate due to changes in exchange rates. The Organization does not use derivatives to modify the foreign exchange risk.

16. Financial instruments (continued)

As at December 31, 2012, December 31, 2011 and January 1, 2011, the Organization held the following balances in United States Dollars:

	December 31, 2012 US$	December 31, 2011 US$	January 1, 2011 US$
Accounts payable	8,899	17,159	65,593
Due to Goodwill Industries International, Inc.	95,111	109,284	121,920

A 1% change in the United States Dollar exchange rate would have an effect of approximately $1,040 on the fair value of the above.

Capital management

Goodwill considers its capital structure to consist of its net assets. Goodwill manages its capital structure and makes adjustments to it in order to sustain their operations and to fulfill their mandate as described in Note 2. The Board does not establish quantitative return on capital criteria for management, but rather relies on the expertise of management to sustain capital. There were no changes in the Organization's approach to capital management during the years ended December 31, 2012 or December 31, 2011. Goodwill is not subject to externally imposed capital requirements.