Audited Consolidating Financial Statements, Supplementary Information, and Reports Required by Government Auditing Standards and the Uniform Guidance

GOODWILL INDUSTRIES INTERNATIONAL, INC. AND RELATED ENTITIES

December 31, 2018

Goodwill Industries International, Inc.
and Related Entities

Contents

TATE & TRYON

A Professional Corporation

Certified Public Accountants and Consultants

2021 L Street, NW

Suite 400

Washington, DC 20036

Telephone 202/293-2200

Facsimile 202/293-2208

www.tatetryon.com

Independent Auditor's Report

To the Board of Directors
Goodwill Industries International, Inc.
and Related Entities

Report on the Financial Statements

We have audited the accompanying consolidating financial statements of Goodwill Industries International, Inc. and Related Entities (the Organization), which comprise the consolidating statement of financial position as of December 31, 2018, the related consolidating statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidating financial statements.

Management's Responsibility for the Consolidating Financial Statements

Management is responsible for the preparation and fair presentation of these consolidating 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 consolidating 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 consolidating financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidating financial statements are free from material misstatement. The financial statements of 15810 Indianola Drive, LLC (the LLC) and Goodwill Mission and Job Creation Services, Inc. (GMJCS) were not audited in accordance with *Government Auditing Standards.*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidating financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidating financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidating 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 Organization'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 consolidating 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 2018 consolidating financial statements referred to above present fairly, in all material respects, the consolidating financial position of Goodwill Industries International, Inc. and Related Entities as of December 31, 2018, 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.

Adoption of Accounting Standards Update 2016-14

As described in Note A to the consolidating financial statements, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). As required by the FASB, the Organization adopted the provisions of ASU 2016-14 during the year ended December 31, 2018. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources. There was no change in the Organization's previously reported change in net assets as a result of the adoption of the ASU. Our opinion is not modified with respect to this matter.

Summarized Comparative Information

We have previously audited the Organization's 2017 consolidating financial statements, and our report thereon dated March 22, 2018, expressed an unmodified opinion on those audited consolidating financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited consolidating financial statements from which it has been derived.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidating financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and is not a required part of the consolidating financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidating financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidating financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidating financial statements or to the consolidating financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidating financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 09, 2019 on our consideration of Goodwill Industries International, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Goodwill Industries International, Inc.'s internal control over financial reporting and compliance.

Tate & Tryon

Washington, DC
April 09, 2019

Goodwill Industries International, Inc. and Related Entities

Consolidating Statement of Financial Position

December 31, 2018 with 2017 Totals

	2018				2017
	GII / LLC	GMJCS	Eliminations	Total	Total
Assets					
Cash and cash equivalents	$ 2,501,367	$ 1,016,009	$ -	**$ 3,517,376**	$ 3,509,136
Investments	14,868,284			**14,868,284**	16,337,069
Accounts receivable	695,995		(15,876)	**680,119**	940,509
Pledges receivable	156,500			**156,500**	803,137
Grants receivable	4,656,810			**4,656,810**	4,768,306
Prepaid expenses and other assets	568,099	2,791		**570,890**	754,105
Notes receivable		1,004,320		**1,004,320**	2,958,963
Property and equipment	8,383,116			**8,383,116**	8,208,022
Total assets	$ 31,830,171	$ 2,023,120	$ (15,876)	**$ 33,837,415**	$ 38,279,247
Liabilities and Net Assets					
Liabilities					
Accounts payable	$ 6,533,987	$ 15,876	$ (15,876)	**$ 6,533,987**	$ 6,725,874
Accrued expense	2,230,328	6,496		**2,236,824**	2,405,757
Deferred revenue	452,247			**452,247**	374,970
Rebates payable	-			**-**	77,228
Notes payable		1,010,189		**1,010,189**	2,974,643
Total liabilities	9,216,562	1,032,561	(15,876)	**10,233,247**	12,558,472
Net assets					
Without donor restrictions	13,549,144	990,559		**14,539,703**	16,550,336
With donor restrictions	9,064,465			**9,064,465**	9,170,439
Total net assets	22,613,609	990,559	-	**23,604,168**	25,720,775
Total liabilities and net assets	$ 31,830,171	$ 2,023,120	$ (15,876)	**$ 33,837,415**	$ 38,279,247

See notes to the consolidating financial statements.

Goodwill Industries International, Inc. and Related Entities

Consolidating Statement of Activities

Year Ended December 31, 2018 with 2017 Totals

	2018				2017
	GII / LLC	GMJCS	Eliminations	Total	Total
Activities without donor restrictions					
Revenue and support					
Federal awards	$ 26,579,428	$ -	$ -	**$ 26,579,428**	$ 25,241,764
Membership dues	20,866,228			**20,866,228**	20,716,618
In-kind contributions	21,550,345			**21,550,345**	17,346,116
Program service fees	2,353,103			**2,353,103**	2,475,800
Legacies and bequests	297,171			**297,171**	474,669
Rental	292,541			**292,541**	286,892
Contributions	140,892			**140,892**	200,125
Other income	43,429	69,131	(29,628)	**82,932**	162,881
Net investment return - operations	123,099			**123,099**	100,145
	72,246,236	69,131	(29,628)	**72,285,739**	67,005,010
Net assets released from restriction	7,411,584			**7,411,584**	5,286,270
Total revenue and support	79,657,820	69,131	(29,628)	**79,697,323**	72,291,280
Expense					
Program services					
Direct services to membership	42,797,220	59,440	(29,628)	**42,827,032**	37,297,476
Sponsored programs and grants	33,047,399			**33,047,399**	29,926,856
Support services to membership	1,048,502			**1,048,502**	1,091,101
Total program services	76,893,121	59,440	(29,628)	**76,922,933**	68,315,433
Management and general services					
General and administrative	4,212,203			**4,212,203**	3,658,998
Resource development	423,475			**423,475**	460,234
Total management and general services	4,635,678	-	-	**4,635,678**	4,119,232
Total expense	81,528,799	59,440	(29,628)	**81,558,611**	72,434,665
Change in net assets without donor restrictions from operations	(1,870,979)	9,691	-	**(1,861,288)**	(143,385)
Net investment return - non-operating	(246,055)			**(246,055)**	492,316
Gain on interest rate swap	-			**-**	5,946
Loss on disposal of equipment	-			**-**	(361)
Bad debt recoveries (expense)	96,710			**96,710**	(66,254)
Change in net assets without donor restrictions	(2,020,324)	9,691	-	**(2,010,633)**	288,262
Activities with donor restrictions					
Contributions	7,373,964			**7,373,964**	8,657,053
Net investment return - donor restricted	(68,354)			**(68,354)**	146,464
Net assets released from restriction	(7,411,584)			**(7,411,584)**	(5,286,270)
Change in net assets with donor restrictions	(105,974)	-	-	**(105,974)**	3,517,247
Change in net assets	(2,126,298)	9,691	-	**(2,116,607)**	3,805,509
Net assets, beginning of year	24,739,907	980,868	-	**25,720,775**	21,915,266
Net assets, end of year	$ 22,613,609	$ 990,559	$ -	**$ 23,604,168**	$ 25,720,775

Goodwill Industries International, Inc.
and Related Entities

Consolidating Statement of Functional Expenses

Year Ended December 31, 2018

	GII/LLC Program Services				GMJCS Program Service		
	Direct Services to Membership	Sponsored Programs and Grants	Support Services to Membership	Total	Direct Services to Membership	Eliminations	Total Program Services
Salaries	$ 9,690,676	$ 1,769,072	$ 428,791	$ 11,888,539	$ -	$ -	**$ 11,888,539**
Employee benefits	2,124,843	393,691	90,220	2,608,754	-	-	**2,608,754**
Payroll taxes	747,345	149,042	32,784	929,171	-	-	**929,171**
Personnel expenses	12,562,864	2,311,805	551,795	15,426,464	-	-	**15,426,464**
Awards and grants	728,828	29,366,103	16,880	30,111,811	-	-	**30,111,811**
Public Service Announcements (in-kind)	21,452,379	-	-	21,452,379	-	-	**21,452,379**
Professional fees	2,885,737	855,782	212,409	3,953,928	29,628	(29,628)	**3,953,928**
Conferences and conventions	1,498,438	163,805	43,658	1,705,901	-	-	**1,705,901**
Real estate related expenses	416,814	-	43,655	460,469	-	-	**460,469**
Travel and agency vehicles	478,034	227,475	51,464	756,973	-	-	**756,973**
Rental and maintenance	645,259	-	22,509	667,768	-	-	**667,768**
Telephone and communications	152,565	30,666	14,271	197,502	-	-	**197,502**
Professional dues	181,173	409	38,854	220,436	-	-	**220,436**
Supplies	120,382	58,896	7,565	186,843	-	-	**186,843**
Seminar and training fees	133,026	29,673	5,988	168,687	-	-	**168,687**
Employee relations	54,187	496	3,594	58,277	-	-	**58,277**
Printing, publications, and advertising	71,286	1,829	215	73,330	-	-	**73,330**
Bank service charges	10,797	-	4,501	15,298	-	-	**15,298**
Interest on notes payable	-	-	-	-	29,812	-	**29,812**
Postage and shipping	17,105	460	636	18,201	-	-	**18,201**
	41,408,874	33,047,399	1,017,994	75,474,267	59,440	(29,628)	**75,504,079**
Depreciation and amortization	1,388,346	-	30,508	1,418,854	-	-	**1,418,854**
Total expense	$ 42,797,220	$ 33,047,399	$ 1,048,502	$ 76,893,121	$ 59,440	$ (29,628)	**$ 76,922,933**

Goodwill Industries International, Inc.
and Related Entities

Consolidating Statement of Functional Expenses (continued)

Year Ended December 31, 2018

	GII/LLC Management and General Services		GMJCS Management and General Services				
	General Administrative Services	Resource Development	General Administrative Services	Resource Development	Eliminations	Total Management and General Services	Grand Total
Salaries	$ 1,864,373	$ 288,056	$ -	$ -	$ -	**$ 2,152,429**	**$ 14,040,968**
Employee benefits	103,487	73,457	-	-	-	**176,944**	**2,785,698**
Payroll taxes	103,089	23,871	-	-	-	**126,960**	**1,056,131**
Personnel expenses	2,070,949	385,384	-	-	-	**2,456,333**	**17,882,797**
Awards and grants	13,376	-	-	-	-	**13,376**	**30,125,187**
Public Service Announcements (in-kind)	-	-	-	-	-	**-**	**21,452,379**
Professional fees	708,545	4,002	-	-	-	**712,547**	**4,666,475**
Conferences and conventions	272,207	8,850	-	-	-	**281,057**	**1,986,958**
Real estate related expenses	400,708	6,503	-	-	-	**407,211**	**867,680**
Travel and agency vehicles	75,327	5,796	-	-	-	**81,123**	**838,096**
Rental and maintenance	140,830	52	-	-	-	**140,882**	**808,650**
Telephone and communications	108,748	-	-	-	-	**108,748**	**306,250**
Professional dues	19,259	3,309	-	-	-	**22,568**	**243,004**
Supplies	38,227	1,628	-	-	-	**39,855**	**226,698**
Seminar and training fees	19,077	5,039	-	-	-	**24,116**	**192,803**
Employee relations	33,943	467	-	-	-	**34,410**	**92,687**
Printing, publications, and advertising	384	-	-	-	-	**384**	**73,714**
Bank service charges	26,777	115	-	-	-	**26,892**	**42,190**
Interest on notes payable	-	-	-	-	-	**-**	**29,812**
Postage and shipping	2,747	56	-	-	-	**2,803**	**21,004**
	3,931,104	421,201	-	-	-	**4,352,305**	**79,856,384**
Depreciation and amortization	281,099	2,274	-	-	-	**283,373**	**1,702,227**
Total expense	$ 4,212,203	$ 423,475	$ -	$ -	$ -	**$ 4,635,678**	**$ 81,558,611**

Goodwill Industries International, Inc. and Related Entities

Consolidating Statement of Cash Flows

Year Ended December 31, 2018 with 2017 Totals

Year Ended December 31,	2018 GII / LLC	2018 GMJCS	2018 Eliminations	2018 Total	2017 Total
Cash flows from operating activities					
Change in net assets	$ (2,126,298)	$ 9,691	$ -	**$ (2,116,607)**	$ 3,805,509
Adjustments to reconcile change in net assets					
to net cash provided by operating activities:					
Net loss (gain) on investments	351,411			**351,411**	(617,094)
Bad debt (recoveries) expense	(96,710)			**(96,710)**	66,254
Change in allowance for doubtful notes receivable		(9,811)		**(9,811)**	(13,491)
Depreciation and amortization	1,702,227			**1,702,227**	1,191,802
Gain on interest rate swap	-			**-**	(5,946)
Loss on disposal of equipment	-			**-**	361
Changes in assets and liabilities:					
Accounts receivable	353,319		3,781	**357,100**	(6,429)
Pledges receivable	646,637			**646,637**	283,052
Grants receivable	111,496			**111,496**	(1,777,949)
Prepaid expenses and other assets	177,331	5,884		**183,215**	(7,209)
Accounts payable	(191,887)	3,781	(3,781)	**(191,887)**	2,645,290
Funds held for others	-			**-**	(500,000)
Accrued expense	(159,705)	(9,228)		**(168,933)**	(88,488)
Deferred revenue	77,277			**77,277**	(92,154)
Rebates payable	(77,228)			**(77,228)**	-
Total adjustments	2,894,168	(9,374)	-	**2,884,794**	1,077,999
Net cash provided by operating activities	767,870	317	-	**768,187**	4,883,508
Cash flows from investing activities					
Proceeds from sales of investments	8,778,390			**8,778,390**	15,554,441
Proceeds from payments on notes receivable		1,964,454		**1,964,454**	2,873,863
Purchases of investments	(7,661,016)			**(7,661,016)**	(18,066,625)
Purchases of property and equipment	(1,877,321)			**(1,877,321)**	(1,958,135)
Net cash provided by (used in) investing activities	(759,947)	1,964,454	-	**1,204,507**	(1,596,456)
Cash flows from financing activities					
Payments of principal on notes payable		(1,964,454)		**(1,964,454)**	(2,873,863)
Payment of principal on bonds payable	-			**-**	(1,200,000)
Net cash used in financing activities	-	(1,964,454)	-	**(1,964,454)**	(4,073,863)
Net increase (decrease) in cash and cash equivalents	7,923	317	-	**8,240**	(786,811)
Cash and cash equivalents, beginning of year	2,493,444	1,015,692	-	**3,509,136**	4,295,947
Cash and cash equivalents, end of year	$ 2,501,367	$ 1,016,009	$ -	**$ 3,517,376**	$ 3,509,136
Supplemental disclosure of cash flow information:					
Cash received during the year for interest on notes receivable	$ -	$ 75,017	$ -	**$ 75,017**	$ 160,668
Cash paid during the year for interest	$ -	$ (48,853)	$ -	**$ (48,853)**	$ (122,552)

A. Organization and Summary of Significant Accounting Policies

Organization: Goodwill Industries International, Inc. (GII), was established in 1902 and was later incorporated (1910) in the Commonwealth of Massachusetts. GII functions as a member association comprised of a network of independent community-based Goodwill organizations in the United States and Canada and international affiliates. GII works to enhance the dignity and quality of life of individuals and families by strengthening communities, eliminating barriers to opportunity, and helping people in need reach their full potential through learning and the power of work. GII facilitates member-to-member sharing, knowledge transfer and direct and supportive services to assist members in providing local community mission services. Each local Goodwill organization is an autonomous member of GII that operates as a nonprofit corporation. This independence affords local Goodwill organizations the flexibility to respond to community needs and opportunities. GII also advocates on behalf of its membership with the Federal government, corporate, foundation, and international entities.

15810 Indianola Drive, LLC (the LLC) was organized in 2004 under the laws of the State of Delaware. The LLC operates, uses, develops, improves, renovates, maintains, manages, leases, and, when applicable, sells, exchanges, or otherwise disposes of real, personal, and mixed property. The LLC is a single-member limited liability company owned entirely by GII.

Goodwill Mission and Job Creation Services, Inc. (GMJCS) was organized in 2012 under the laws of the District of Columbia. GMJCS advances the creation of jobs and services for people with disabilities and economic disadvantages by providing funds and working capital to Goodwill member organizations with terms that are more beneficial than Goodwill organizations could obtain from conventional commercial lending sources. GMJCS is controlled by GII through sole corporate membership.

Principles of consolidation: The consolidating financial statements include the accounts of GII, the LLC, and GMJCS (collectively referred to as the Organization). Significant intra-entity accounts and transactions have been eliminated in consolidation.

Income taxes: GII is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation within the meaning of Section 509(a)(1) of the Internal Revenue Code. As a single-member limited liability company, the LLC is treated as a disregarded entity for income tax purposes. Therefore, the LLC's financial activity is reported in conjunction with GII's Federal income tax filings.

GMJCS is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation within the meaning of Section 509(a)(3) of the Internal Revenue Code.

The Organization is subject to income tax on its unrelated business activities, such as income from the virtual member market place and rental income, which was debt financed. However, the Organization has generated net operating loss carry-forwards resulting from these taxable activities. The net operating loss carry-forwards, which may be applied against future years' taxable income, approximated $496,000 at December 31, 2018. The net operating loss carry-forwards will expire at various dates through 2038. A deferred tax asset has not been recognized due to the uncertainty of realizing a benefit from the net operating loss carry-forwards.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of accounting: The Organization prepares its consolidating financial statements on the accrual basis of accounting. Revenue other than contributions is recognized when earned and expense when the obligation is incurred.

Use of estimates: The preparation of consolidating 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 estimates.

New accounting principle: The Financial Accounting Standards Board (FASB) issued *Accounting Standards Update 2016-14, Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). The Organization adopted the provisions of ASU 2016-14 during the year ended December 31, 2018. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources. There was no change in the Organization's previously reported change in net assets as a result of the adoption of the ASU. As permitted by the ASU, the Organization's statement of functional expenses is not reported on a comparative basis during the initial year of the ASU's adoption.

Cash and cash equivalents: The Organization classifies demand deposits as cash and cash equivalents. Cash and cash equivalents held by GMJCS as of December 31, 2018, and 2017 included $1,000,000 which was required to be designated as a loan loss reserve related to the notes payable. Cash, money market funds, and certificates of deposit held within the investment portfolio are not included in cash and cash equivalents because they are held for investment purposes.

Prepaid expenses and other assets: Prepaid expenses and other assets primarily consist of various costs which have been paid in advance of the period in which the Organization expects to incur the obligation.

Revenue recognition: Deferred revenue consists of meeting registrations, event sponsorships, and GoodTrak fees. Revenue relating to meeting registrations and event sponsorships is recognized in the period when the meeting or event occurs. Fees related to GoodTrak, GII's web-based software system that allows client tracking and case management for local Goodwill members, is recognized using the straight-line method over the user's service period.

Contributions: Contributions are recorded in the net asset class that corresponds with the existence and/or nature of donor restrictions. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions. Amounts classified as net assets with donor restrictions are reclassified to net assets without donor restrictions upon expiration of donor restrictions.

Program services: Program service descriptions are as follows:

Direct services to membership: Direct services to membership includes consultations, executive professional development, training seminars, events such as the Annual Meeting of the Conference of Executives and the Delegate Assembly, data processing and analysis, assistance in the development of national and local communications materials, and the loan program provided by GMJCS.

A. Organization and Summary of Significant Accounting Policies – Continued

Sponsored programs and grants: Sponsored programs and grants includes efforts to equip autonomous local Goodwill organizations to enhance career navigation, skills training, credentialing, financial wellness, and diversity, inclusion and equitable outcomes services; to connect persons served to improved job and career opportunities; to develop higher quality job opportunities for people with disabilities and disadvantages; to improve workforce development systems for diverse populations, and to build family economic success.

Support services to membership: Support services to membership include international activities, government relations, and strategic sourcing.

Management and general services: Management and general services descriptions are as follows:

General and administrative: The general and administrative service includes expenditures related to administrative and governance activities, maintaining the building, and managing the financial responsibilities of the Organization.

Resource development: The resource development service includes expenditures that encourage and secure financial support for the Organization.

Functional allocation of expenses: The costs of providing various program and supporting services have been summarized on a functional basis in the accompanying consolidating statement of activities. Accordingly, costs primarily associated with personnel, professional fees, rental and maintenance, supplies, and telephone and communication have been allocated among the program and supporting services provided to our members. Costs are allocated on the basis of the labor costs utilized by each area.

Reclassifications: As a result of the 2018 adoption of ASU 2016-14, the functional classification of certain costs were modified to conform to definitions within the ASU. Thus, certain 2017 functional expenses of GII were reclassified to agree with the 2018 presentation of functional expenses of GII. Amounts reported in the December 31, 2017 consolidating statement of activities for GII were reclassified as follows:

	2017 as Previously Reported	Reclassifications	2017 as Currently Reported
Expense			
Program services			
Direct services to membership	37,297,476	-	37,297,476
Sponsored programs and grants	30,029,817	(102,961)	29,926,856
Support services to membership	1,091,101	-	1,091,101
Total program services	68,418,394	(102,961)	68,315,433
Management and general services			
General and administrative	3,556,037	102,961	3,658,998
Resource development	460,234	-	460,234
Total management and general services	4,016,271	102,961	4,119,232
Total expense	72,434,665	-	72,434,665

Measure of operations: The Organization does not include 1) net investment return – non-operating; 2) gain on interest rate swap; 3) bad debt recoveries (expense); and 4) loss on the disposal of equipment in the change in net assets without donor restrictions from operations.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Prior-year comparative totals: The consolidating financial statements include certain 2017 summarized comparative information in total but not by net asset class or by each separate entity. Such information does not include sufficient detail to constitute a complete presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the 2017 consolidating financial statements, from which the summarized information was derived.

Litigation: From time to time, the Organization may be involved in litigation. At present, management does not believe that the outcome of any litigation will have a material impact on the Organization's consolidating financial position.

Subsequent events: Subsequent events have been evaluated through April 09, 2019, which is the date the consolidating financial statements were available to be issued.

B. CONCENTRATIONS AND RISKS

Credit risk: The Organization maintains demand deposits and money market funds at financial institutions. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. Government. The uninsured portions of cash and money market accounts are backed solely by the assets of the underlying institution. Therefore, the failure of an underlying institution could result in financial loss to the Organization. However, the Organization has not experienced losses on these accounts in the past, and management believes the risk of loss, if any, to be minimal.

Market risk: The Organization invests in a professionally managed portfolio of various marketable securities, which are exposed to market and credit risks. Therefore, the Organization's investments may be subject to significant fluctuations in fair value. As a result, the investment balances reported in the accompanying consolidating financial statements may not be reflective of the portfolio's value during subsequent periods.

C. INVESTMENTS

In accordance with generally accepted accounting principles, the Organization uses the following prioritized input levels to measure fair value. The input levels used for valuing investments are not necessarily an indication of risk.

Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets, such as stock quotes;

Level 2 – Includes inputs other than Level 1 inputs that are directly or indirectly observable in the marketplace such as yield curves or other market data;

Level 3 – Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk, such as bid/ask spreads and liquidity discounts.

C. Investments - Continued

Investments recorded at fair value which were valued using Level 1 inputs include equities and mutual funds, the fair values for which were based on quoted prices for identical assets in active markets. Management believes the estimated fair value of investments to be a reasonable approximation of the exit price for the assets.

Investments valued using Level 2 inputs include corporate bonds, municipal bonds, U.S. Government obligations and mortgage-backed securities which were based on the fair values of the underlying investments as determined by the fund managers. Management believes the fund managers' estimates to be reasonable approximations of the fair value of the investments.

Investments recorded at cost include cash, money market funds, and certificates of deposit. Investments recorded at cost are not required to be classified in one of the levels prescribed by the fair value hierarchy.

Investments consisted of the following at December 31,:

2018	**Total**	**Level 1**	**Level 2**	**Level 3**
Investments, at fair value				
Fixed income mutual funds	$ 1,637,695	$ 1,637,695	$ -	$ -
U.S. Government obligations	1,207,333	-	1,207,333	-
Equity mutual funds	1,137,517	1,137,517	-	-
Corporate bonds	1,074,224	-	1,074,224	-
Equities	891,516	891,516	-	-
Municipal bonds	270,230	-	270,230	-
Investments carried at fair value	$ 6,218,515	**$ 3,666,728**	**$ 2,551,787**	$ -
Investments, at cost				
Cash and money market funds	8,649,769			
Total investments	**$ 14,868,284**			

2017	**Total**	**Level 1**	**Level 2**	**Level 3**
Investments, at fair value				
Equity mutual funds	$ 1,874,298	$ 1,874,298	$ -	$ -
U.S. Government obligations	1,468,232	-	1,468,232	-
Equities	1,344,072	1,344,072	-	-
Mortgage-backed securities	1,114,716	-	1,114,716	-
Corporate bonds	1,102,555	-	1,102,555	-
Fixed income mutual funds	739,623	739,623	-	-
Investments carried at fair value	$ 7,643,496	**$ 3,957,993**	**$ 3,685,503**	$ -
Investments, at cost				
Cash and money market funds	8,493,528			
Certificates of deposit	200,045			
Total investments	**$ 16,337,069**			

D. Liquidity and Availability

The Organization strives to maintain liquid financial assets sufficient to meet its general operating expenditures. The Organization has investments to cover its reserve needs per its target reserve policy. The purpose of the target reserve policy is to ensure that the Organization has the financial means to continue to provide critical support to the membership in both the short- and long-term and to develop products and services in support of members. The Organization reassesses the adequacy of its reserves on an annual basis.

The following table reflects the Organization's financial assets as of December 31, 2018 and 2017, reduced by amounts that are not available to meet general expenditures within one year of the consolidating statement of financial position date because of loan covenants or internal board designations. Amounts not available include a board-designated special projects fund that is intended to fund special board initiatives not considered in the annual operating budget. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through the board target reserve policy. Amounts not available to meet general expenditures within one year also include net assets with donor restrictions. However, such funds are in highly liquid investments in order to preserve capital and are available to support sponsored programs once the purpose restrictions are met. Net assets with donor restrictions as of December 31, 2018 and 2017 are $9,064,465 and $9,170,439 respectively.

	2018	2017
Cash and cash equivalents	$ 3,517,376	$ 3,509,136
Investments	14,868,284	16,337,069
Accounts receivable and grants receivable	5,336,929	5,708,815
Pledges receivable	156,500	803,137
Accounts payable to subrecipients	(5,375,208)	(4,994,518)
Cash collateral related to notes payable	(1,000,000)	(1,000,000)
Investment with donor restrictions	(9,064,465)	(9,170,439)
Board-designated special projects fund	(955,370)	(955,370)
Financial assets available to meet cash needs for general expenditure within one year *	**$ 7,484,046**	**$ 10,237,830**

* GMJCS financial assets are included in this amount. GMJCS financial assets available to meet cash needs for general expenditure within one year were $16,009 and $15,692 as of December 31, 2018 and 2017 respectively.

E. Retirement Plans

Deferred compensation: GII had a deferred compensation agreement with a key employee under Section 457(f) of the Internal Revenue Code. GII's accrual of contributions under its deferred compensation plans totaled $39,000 and $53,250 for the years ended December 31, 2018 and 2017, respectively. The 457(f) plan ended when the participant terminated employment during 2018 and the non-vested contributions were forfeited to GII. The deferred compensation liability was included in accrued expense and totaled $0 and $101,250 at December 31, 2018 and 2017, respectively.

Defined contribution: GII has a defined contribution 403(b) thrift plan which is available to all full-time employees who have completed six months of service. GII's contributions on behalf of each eligible employee equal 7.5% of the employee's compensation plus 4.3% of compensation in excess of the Social Security Average Annual Wage in effect on the first day of the plan year. GII's contributions to the plan, excluding applicable forfeitures, totaled $1,049,980 and $1,064,287 for the years ended December 31, 2018 and 2017, respectively.

F. Accounts Receivable

Accounts receivable includes revenue that is owed to the Organization primarily related to membership dues and other programs. Accounts receivable are recorded at the gross, or face amount, less an allowance for doubtful accounts. The allowance is determined based on management's experience and collection efforts. Balances that remain outstanding after the Organization has used reasonable collection efforts are written off.

Accounts receivable consisted of the following at December 31,:

	2018	2017
Membership dues	$ 572,790	$ 769,077
GoodTrak	66,054	155,456
Member agreements *	114,139	152,185
Other receivables	43,165	117,157
Services and supplies	137,560	96,933
Due from GMJCS	15,876	12,095
Less allowance for doubtful accounts receivable	(253,589)	(350,299)
Net accounts receivable - GII	695,995	952,604
Less: GMJCS elimination in consolidation	(15,876)	(12,095)
Net consolidated accounts receivable	**$ 680,119**	**$ 940,509**

* Member agreements represent payment plans for certain members in order for them to pay overdue membership dues within a negotiated time period. The allowance for doubtful accounts receivable related to member agreements totaled $97,000 and $123,000 at December 31, 2018 and 2017, respectively.

G. Pledges Receivable and Rebates Payable

Pledges receivable: GII records pledges receivable (unconditional promises to give contributions) that are expected to be collected within one year at net realizable value. GII provides for probable losses on pledges receivable using the allowance method. The allowance is determined based on management's experience and collection efforts. Balances that remain outstanding after GII has used reasonable collection efforts are written off. Pledges receivable consisted entirely of amounts due for the National PSA Campaign. Pledges receivable that are collectable in over a year are recorded at a discount. As of December 31, 2018, all pledges receivable were expected to be collected within a year and management determined that no allowance was required. Pledges receivable totaled $156,500 as of December 31, 2018. Pledges receivable, recorded net of the combined allowance and discount of $117,363, totaled $803,137 as of December 31, 2017.

Rebates payable: In prior years, GII obtained commitments in excess of its goal for the National PSA Campaign. In addition, GII had previously indicated its intention to provide rebates to the member donors relating to amounts received in excess of the project budget. During the year ended December 31, 2016, GII gave members the option to receive their rebate or apply funds to the current National PSA Campaign, with many members choosing to apply funds to new pledges. Remaining rebates payable totaled $0 and $77,228 at December 31, 2018 and 2017, respectively.

H. Grants Receivable

Grants receivable relate to amounts due to GII from federal government agencies and other grantors resulting from allowable costs incurred under the grants. Management periodically reviews the status of all grants receivable for collectability. Each balance is assessed based on management's knowledge of and relationship with the U.S. government agency or grantor, and the age of the receivable balance. As a result of these reviews, balances deemed to be uncollectible are charged directly to bad debt expense. Management believes that the use of the direct write-off method approximates the results that would be presented if an allowance for doubtful accounts had been recorded. GII has not written off grants receivable during either of the years ended December 31, 2018 and 2017.

Grants receivable consisted of the following at December 31,:

	2018	2017
U.S. Department of Labor		
Senior Community Service		
Employment Program (SCSEP)	$ 3,494,454	$ 3,540,742
Reentry Employment Opportunities (LifeLaunch)	977,456	583,630
H-1B Job Training Grants (Careers in Technology)	146,386	274,655
U.S. Department of Justice		
Juvenile Mentoring Program (Good Guides)	16,856	365,279
Subtotal - federal grants receivable	4,635,152	4,764,306
Private grants		
IHG Focus Group	21,658	-
Goodwill Digital Career Accelerator	-	4,000
	$ 4,656,810	**$ 4,768,306**

I. NOTES RECEIVABLE

The Organization (specifically, GMJCS) has issued loan proceeds totaling approximately $8,700,000 to twelve Goodwill members and, in return, has obtained notes receivable from the members. The notes bear interest at a rate of 3.5% per annum and mature on various dates through 2020.

The notes receivable have been recorded at their unpaid principal balances, less an allowance for doubtful notes receivable, which represents potential loan losses. Management determined potential loan losses based on an assessment of the current status of individual loans, the member borrower's ability to repay, and current economic conditions. The determination of the allowance is inherently subjective, and it is reasonably possible that a change in this estimate could occur in the near term, as new information becomes available.

Future anticipated payments of principal on the notes receivable are as follows:

Year Ending December 31,	Amount
2019	$ 794,074
2020	216,115
	1,010,189
Less allowance for doubtful notes receivable	(5,869)
	$ 1,004,320

J. PROPERTY AND EQUIPMENT

GII's acquisitions of property and equipment greater than $3,000 are recorded at cost and depreciated using the straight-line method over the following estimated useful lives: building – 30 years; building improvements – 10 years; and furniture, equipment, and software – 3 to 5 years. Land and artwork are not depreciated.

Property and equipment consisted of the following at December 31,:

	2018	**2017**
Land	$ 1,500,000	$ 1,500,000
Building and improvements	8,391,196	8,391,196
Furniture and equipment	2,829,443	2,530,888
Software	6,323,820	4,819,542
Artwork	60,000	60,000
	19,104,459	17,301,626
Less accumulated depreciation and amortization	(10,721,343)	(9,093,604)
	$ 8,383,116	**$ 8,208,022**

K. DEBT OBLIGATIONS

Notes payable: The Organization (specifically, GMJCS) has notes payable to three private foundations for use in making program related investments through loans to member organizations (see notes receivable described in Note I). The notes payable had a maximum principal totaling $10,000,000 and interest is determined at a rate of 2% per annum. The Organization began making principal and interest payments in September 2014. As of July 15, 2016, the period for disbursements under the agreement ended. The organization is currently in the process of procuring additional funding sources.

In accordance with the terms of the loan document, cash of at least $1,000,000 is held at a bank and has been designated as a loan loss reserve which would be used to absorb the first $1,000,000 of loss from any qualified loans as a result of late payments or loan charge-offs.

The loan document contains various financial and non-financial debt covenants, including the requirement that GMJCS maintain positive net assets without donor restrictions. GMJCS was in compliance with the various debt covenants at December 31, 2018 and 2017. The loan document also describes various events of default and, in accordance with these terms, GMJCS had not defaulted on the loans during the years ended December 31, 2018 and 2017.

Future anticipated payments of principal on the notes payable are as follows:

Year Ending December 31,	Amount
2019	$ 794,074
2020	216,115
	$ 1,010,189

Bonds payable: The Organization, (specifically, GII/LLC) previously held tax-exempt bonds payable. During the year ended December 31, 2017, the Organization paid off its bonds payable in full, thus the liability was discharged and the deed of trust on the building and land was released.

Interest rate swap agreement: The Organization (specifically, GII/LLC) previously held an interest rate swap agreement with a fixed interest rate of 2.24%, which was intended to minimize the risk of future interest rate fluctuations related to the bonds payable described above. The interest rate swap agreement expired on April 14, 2017, resulting in a gain of $5,946 recognized during the year ended December 31, 2017.

L. NET ASSETS

Net assets without donor restrictions: Net assets without donor restrictions include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation.

Net assets without donor restrictions consisted of the following for each entity at December 31,:

	2018	2017
GII		
Undesignated - general operations	$ 12,593,774	$ 14,614,098
Designated by the Board for:		
International activities	955,370	955,370
	$ 13,549,144	**$ 15,569,468**
GMJCS		
Undesignated - general operations	$ (9,441)	$ (19,132)
Designated by the Board for:		
Loan loss reserve	1,000,000	1,000,000
	$ 990,559	**$ 980,868**

Net assets with donor restrictions: Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions. The Organization reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the consolidating statement of activities as net assets released from restrictions. Endowment net assets with donor restrictions include a stipulation that assets provided be maintained in perpetuity while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations.

GII's net assets with donor restrictions consisted of the following at December 31,:

	2018	2017
Specified Purpose		
Private Foundation Funds	$ 6,820,875	$ 6,304,671
Operations Funds	515,815	1,041,773
International Funds	13,163	13,166
Endowments*	378,957	396,214
Perpetual in Nature		
Endowments*	1,335,655	1,414,615
	$ 9,064,465	**$ 9,170,439**

***** See discussion of endowments in Note M.

L. Net Assets – Continued

Net assets are released from restrictions due to either the expiration of a time restriction or the satisfaction of a purpose restriction.

GII's net assets released from restrictions consisted of the following during the years ended December 31,:

	2018	2017
Private Foundation Funds	$ 6,615,668	$ 4,700,125
Operations Funds	768,326	577,631
Endowments	27,590	8,514
	$ 7,411,584	**$ 5,286,270**

M. Endowments

The Organization's endowments consist of donor-restricted endowment funds which are classified within net assets with donor restrictions. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Director's interpretation of the Commonwealth of Massachusetts law underlies the Organization's net asset classification of donor-restricted endowment funds as requiring the preservation of the fair value of the original gift. As a result of this interpretation, the Organization retains in perpetuity (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is made to the fund. Absent explicit direction from the donor regarding the classification of investment income from the permanently restricted endowments, investment income is recorded in net assets with donor restrictions until appropriated for spending.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that achieves constant growth of the distribution amount and the corpus. Actual returns in any given year may vary from this amount.

M. ENDOWMENTS - CONTINUED

Strategies Employed for Achieving Objectives

To satisfy its long-term objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places more emphasis on fixed income securities than equity securities to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How Investment Objectives Relate to Spending Policy

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment funds while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for donor-specified periods. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a balanced portfolio comprised of cash, money market funds, fixed income securities, and equity securities.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor originally contributed as an endowment fund to the Organization. In accordance with generally accepted accounting principles, deficiencies of this nature would be reported within net assets with donor restrictions. However, there were no funds with deficiencies at December 31, 2018 and 2017.

GII's endowment funds consisted of the following at December 31, 2018, with 2017 totals:

	With Donor Restrictions			2017
	Specified Purpose	Perpetual in Nature	Total	Total
Operations Funds				
Kenneth K. King Training Trust *	$ 75,470	$ 948,189	$ 1,023,659	$ 1,075,985
Richard and Lois England *	21,309	139,135	160,444	171,200
Frank F. Flegal Education and Training	107,827	20,000	127,827	136,169
International Funds				
Gerald Clore Training	158,379	100,000	258,379	284,366
Barker Education	6,968	123,131	130,099	128,538
Sioux City	9,004	5,200	14,204	14,571
	$ 378,957	**$ 1,335,655**	**$ 1,714,612**	**$ 1,810,829**

* The gift instruments for these endowment funds include donor instructions indicating that investment appreciation (depreciation) should be accumulated to amounts perpetual in nature.

M. Endowments - Continued

Changes in GII's endowment funds consisted of the following for the year ended December 31, 2018, with 2017 totals:

	With Donor Restrictions			2017
	Specified Purpose	Perpetual in Nature	Total	Total
Endowment funds, beginning	$ 396,214	$ 1,414,615	$ 1,810,829	$ 1,672,970
Investment return, net	10,333	(78,960)	(68,627)	146,373
Appropriations	(27,590)	-	(27,590)	(8,514)
Endowment funds, ending	**$ 378,957**	**$ 1,335,655**	**$ 1,714,612**	**$ 1,810,829**

N. In-Kind Contributions

The Organization received in-kind contributions related to Public Service Announcements (PSA) which were recorded at the estimated fair value provided by the donor. The Organization also received in-kind contributions of professional services from consultants and attorneys.

From time to time, donated services are recognized as contributions and expense in accordance with generally accepted accounting principles (GAAP). In order to meet the criteria for recognition in the consolidating financial statements, contributions of in-kind services must (a) create or enhance non-financial assets or (b) require specialized skills, be performed by people with those skills, and would otherwise be purchased by the Organization.

In-kind contributions to GII consisted of the following during the years ended December 31,:

	2018	2017
Public Service Announcements	$ 21,452,379	$ 16,890,754
Professional services	97,966	455,362
	$ 21,550,345	**$ 17,346,116**

O. Commitments and Contingencies

Tenant lease: The LLC has an operating lease agreement to provide general office and showroom space in its building to an unrelated tenant which expires December 31, 2020. The LLC received a security deposit from the tenant of $21,883, which is equal to the first month's rent. Rental revenue totaled $292,541 and $286,892 for the years ended December 31, 2018 and 2017, respectively. Future minimum cash basis rental receipts are as follows:

Year Ending December 31,	Amount
2019	$ 297,390
2020	303,576
	$ 600,966

Government grants: Federal award revenue provided to GII by U.S. government agencies in relation to expenditures incurred under grant agreements may be subject to audit or adjustment by the government agencies. The expenditures which may be disallowed as a result of an audit cannot be determined at this time, although management expects such amounts, if any, to be immaterial.

Conditional promises to give: As a routine part of its operations, the Organization is the recipient of conditional promises to give from various funding sources. The revenue from these arrangements is contingent upon the occurrence of future events and are revocable at any time. Thus, no revenue or receivables related to these items have been recognized in the financial statements. Revenue will be recognized if, and when, specified events occur. Likewise, the Organization makes conditional promises to give to subrecipients which are contingent upon the occurrence of future events and are revocable at any time. Thus, no expense or payables related to these items have been recognized in the financial statements. Given the inherent uncertainty related to amounts realizable from these funding sources, management is unable to estimate future anticipated revenue and expenses from these arrangements.

P. Expenditures to Subrecipients

The following chart summarizes GII's expenditures of federal awards, including expenditures to subrecipients, for the years ended December 31,:

	2018	**2017**
Expenditures to subrecipients	$ 24,871,517	$ 23,820,550
Expenditures used directly	1,707,911	1,421,214
	$ 26,579,428	**$ 25,241,764**

Goodwill Industries International, Inc.

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2018

Federal Agency CFDA Program Title	CFDA Number	Contract Numbers	Total Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Labor				
Senior Community Service				
Employment Program (SCSEP)	17.235	Note 3	$ 21,099,439	$ 20,199,250
Reentry Employment Opportunities (LifeLaunch)	17.270	Note 3	3,806,001	3,275,562
H-1B Job Training Grants (Careers in Technology)	17.268	Note 3	1,039,488	860,411
U.S. Department of Justice				
Juvenile Mentoring Program (Good Guides)	16.726	Note 3	634,500	536,294
Total Expenditures of Federal Awards			**$ 26,579,428**	**$ 24,871,517**

1. Accounting Policies

The accompanying schedule of expenditures of federal awards (SEFA) reports the costs of federal award activity on the accrual basis of accounting. The SEFA includes the federal award activity of Goodwill Industries International, Inc. (GII) for the year ended December 31, 2018.

The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of GII, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of GII.

The expenditures reported in the SEFA follow the cost principles contained in the Uniform Guidance. The cost principles indicate that certain types of expenditures are not allowable or reimbursements of allowable costs are limited as to reimbursement.

2. Indirect Costs

GII records all expenditures of federal awards using a direct cost methodology. Therefore, GII does not record indirect costs for its federal award programs. In this manner, GII has elected not to use the 10% de minimis indirect cost rate, which is allowed in accordance with the Uniform Guidance.

3. Contract Numbers

Federal expenditures from Federal agencies were included in awards under the following contracts for the year ended December 31, 2018:

U.S. Department of Labor		
Senior Community Service		
Employment Program (SCSEP)	17.235	
AD-30461-17-55-A24		$ 10,774,190
AD-31812-18-55-A24		10,325,249
		21,099,439
Reentry Employment Opportunities (LifeLaunch)	17.270	
YF-29325-16-60-A-24		1,888,963
PE-30788-17-60-A-24		1,596,632
PE-32132-18-60-A-24		320,406
		3,806,001
H-1B Job Training Grants (Careers in Technology)	17.268	
HG-29347-16-60-A-24		1,039,488
U.S. Department of Justice		
Juvenile Mentoring Program (Good Guides)	16.726	
2015-JU-FX-0010		634,500
		634,500
		$ 26,579,428

TATE
&
TRYON
A Professional Corporation
Certified Public
Accountants
and Consultants

2021 L Street, NW
Suite 400
Washington, DC
20036
Telephone
202/293-2200
Facsimile
202/293-2208
www.tatetryon.com

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Goodwill Industries International, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and, with respect to Goodwill Industries International, Inc. (GII) only, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidating financial statements of Goodwill Industries International, Inc. and Related Entities (the Organization), which comprise the consolidating statement of financial position as of December 31, 2018, the related consolidating statements of activities, and cash flows for the year then ended, and the related notes to the consolidating financial statements, and have issued our report thereon dated April 09, 2019. The financial statements of 15810 Indianola Drive, LLC (the LLC) and Goodwill Mission and Job Creation Services, Inc. (GMJCS) were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not extend to the related entities.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Tate & Tryon

Washington, DC
April 09, 2019

TATE
&
TRYON
A Professional Corporation
Certified Public
Accountants
and Consultants
2021 L Street, NW
Suite 400
Washington, DC
20036
Telephone
202/293-2200
Facsimile
202/293-2208
www.tatetryon.com

Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors
Goodwill Industries International, Inc.

Report on Compliance for Each Major Federal Program

We have audited Goodwill Industries International, Inc. (GII)'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of GII's major federal programs for the year ended December 31, 2018. GII's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to each federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of GII's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about GII's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, GII complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Report on Internal Control over Compliance

Management of GII is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered GII's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of GII's internal control over compliance.

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

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

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

Tate & Tryon

Washington, DC
April 09, 2019

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	_____ Yes __X__ No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ Yes __X__ None reported
Noncompliance material to financial statements noted?	_____ Yes __X__ No

Federal Awards

Internal control over the major programs:	
• Material weakness(es) identified?	_____ Yes __X__ No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ Yes __X__ None reported
Type of auditor's report issued on compliance for the major programs:	Unmodified
Audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a)?	_____ Yes __X__ No
Identification of major programs:	CFDA Numbers:
U.S. Department of Labor Senior Community Service Employment Program (SCSEP)	17.235
U.S. Department of Justice Juvenile Mentoring Program (GoodGuides)	16.726
Dollar threshold used to distinguish between Type A and Type B programs:	$797,383
Auditee qualified as low-risk auditee?	__X__ Yes _____ No

Section II – Findings Related to the Financial Statements

No matters were reported.

Section III – Findings and Questioned Costs Related to Federal Awards

No matters were reported.