Goodwill Industries International, Inc. and Related Entities

Consolidated Financial and Compliance Report
December 31, 2019

Contents

Independent Auditor's Report

Board of Directors
Goodwill Industries International, Inc.

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, 2019, 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 (collectively, the financial statements).

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 Organization'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 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 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 consolidating financial statements referred to above present fairly, in all material respects, the financial position of Goodwill Industries International, Inc. and Related Entities as of December 31, 2019, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters
The financial statements of the Organization, as of and for the year ended December 31, 2018, presented as comparative information in these financial statements, were audited by other auditors, whose report dated April 9, 2019, expressed an unmodified opinion on those financial statements.

Supplementary and Other Information
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 June 11, 2020 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 the effectiveness of 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.

RSM US LLP

Washington, D.C.
June 11, 2020

Goodwill Industries International, Inc. and Related Entities

Consolidating Statement of Financial Position
December 31, 2019
(With Comparative Totals for 2018)

	2019				2018
	GII / LLC	**GMJCS**	**Eliminations**	**Total**	Total
Assets					
Cash and cash equivalents	**$ 2,076,826**	**$ 917,672**	**$ -**	**$ 2,994,498**	$ 3,517,376
Investments	**14,734,349**	**-**	**-**	**14,734,349**	14,868,284
Accounts receivable, net	**815,141**	**-**	**(21,216)**	**793,925**	680,119
Pledges receivable, net	**1,560,243**	**-**	**-**	**1,560,243**	156,500
Grants receivable	**5,069,211**	**-**	**-**	**5,069,211**	4,656,810
Prepaid expenses and other assets	**728,922**	**293**	**-**	**729,215**	570,890
Notes receivable	**-**	**99,868**	**-**	**99,868**	1,004,320
Property and equipment, net	**7,248,225**	**-**	**-**	**7,248,225**	8,383,116
Total assets	**$32,232,917**	**$ 1,017,833**	**$ (21,216)**	**$33,229,534**	$33,837,415
Liabilities and Net Assets					
Liabilities:					
Accounts payable	**$ 5,579,146**	**$ 21,216**	**$ (21,216)**	**$ 5,579,146**	$ 6,533,987
Accrued expense	**2,801,982**	**-**	**-**	**2,801,982**	2,236,824
Deferred revenue	**397,840**	**-**	**-**	**397,840**	452,247
Notes payable	**-**	**-**	**-**	**-**	1,010,189
Total liabilities	**8,778,968**	**21,216**	**(21,216)**	**8,778,968**	10,233,247
Net assets:					
Without donor restrictions	**12,757,880**	**996,617**	**-**	**13,754,497**	14,539,703
With donor restrictions	**10,696,069**	**-**	**-**	**10,696,069**	9,064,465
Total net assets	**23,453,949**	**996,617**	**-**	**24,450,566**	23,604,168
Total liabilities and net assets	**$32,232,917**	**$ 1,017,833**	**$ (21,216)**	**$33,229,534**	$33,837,415

Goodwill Industries International, Inc. and Related Entities

Consolidating Statement of Activities
Year Ended December 31, 2019
(With Comparative Totals for 2018)

	2019				2018
	GII / LLC	**GMJCS**	**Eliminations**	**Total**	Total
Activities without donor restrictions:					
Revenue and support:					
Federal awards	**$ 26,467,376**	**$ -**	**$ -**	**$ 26,467,376**	$ 26,579,428
Membership dues	**21,565,262**	**-**	**-**	**21,565,262**	20,866,228
In-kind contributions	**15,727,560**	**-**	**-**	**15,727,560**	21,550,345
Program service fees	**2,522,130**	**-**	**-**	**2,522,130**	2,353,103
Legacies and bequests	**965,755**	**-**	**-**	**965,755**	297,171
Rental	**294,380**	**-**	**-**	**294,380**	292,541
Contributions	**236,488**	**-**	**-**	**236,488**	140,892
Other income	**24,503**	**12,616**	**(5,340)**	**31,779**	82,932
Net investment return - operations	**109,696**	**-**	**-**	**109,696**	123,099
	67,913,150	**12,616**	**(5,340)**	**67,920,426**	72,285,739
Net assets released from restriction	**7,408,058**			**7,408,058**	7,411,584
Total revenue and support	**75,321,208**	**12,616**	**(5,340)**	**75,328,484**	79,697,323
Expenses					
Program services					
Direct services to membership	**37,952,561**	**6,558**	**(5,340)**	**37,953,779**	42,827,032
Sponsored programs and grants	**33,257,957**	**-**	**-**	**33,257,957**	33,047,399
Support services to membership	**875,012**	**-**	**-**	**875,012**	1,048,502
Total program services	**72,085,530**	**6,558**	**(5,340)**	**72,086,748**	76,922,933
Management and general services					
General and administrative	**4,103,652**	**-**	**-**	**4,103,652**	4,115,493
Resource development	**407,273**	**-**	**-**	**407,273**	423,475
Total management and general services	**4,510,925**	**-**	**-**	**4,510,925**	4,538,968
Total expenses	**76,596,455**	**6,558**	**(5,340)**	**76,597,673**	81,461,901
Change in net assets without donor restrictions from operations	**(1,275,247)**	**6,058**	**-**	**(1,269,189)**	(1,764,578)
Net investment return - non-operating	**483,983**	**-**	**-**	**483,983**	(246,055)
Change in net assets without donor restrictions	**(791,264)**	**6,058**	**-**	**(785,206)**	(2,010,633)
Activities with donor restrictions					
Contributions	**8,715,893**	**-**	**-**	**8,715,893**	7,373,964
Net investment return - donor restricted	**323,769**	**-**	**-**	**323,769**	(68,354)
Net assets released from restriction	**(7,408,058)**	**-**	**-**	**(7,408,058)**	(7,411,584)
Change in net assets with donor restrictions	**1,631,604**	**-**	**-**	**1,631,604**	(105,974)
Change in net assets	**840,340**	**6,058**	**-**	**846,398**	(2,116,607)
Net assets:					
Beginning	**22,613,609**	**990,559**	**-**	**23,604,168**	25,720,775
Ending	**$ 23,453,949**	**$ 996,617**	**$ -**	**$ 24,450,566**	$ 23,604,168

See notes to consolidating financial statements.

Goodwill Industries International, Inc. and Related Entities

Consolidating Statement of Functional Expenses
Year Ended December 31, 2019
(With Comparative Totals for 2018)

	GII/LLC Program Services				GMJCS Program Services		
	Direct Services Membership	Sponsored Programs and Grants	Support Services to Membership	Total	Direct Services to Membership	Eliminations	Total Program Services
Salaries	$ 9,736,396	$ 1,753,158	$ 373,898	$ 11,863,452	$ -	$ -	$ 11,863,452
Employee benefits	2,091,704	381,855	76,866	2,550,425	-	-	2,550,425
Payroll taxes	704,976	127,364	26,143	858,483	-	-	858,483
Personnel expenses	12,533,076	2,262,377	476,907	15,272,360	-	-	15,272,360
Awards and grants	599,950	29,881,285	15,540	30,496,775	-	-	30,496,775
Public service announcements (in-kind)	15,629,594	-	-	15,629,594	-	-	15,629,594
Professional fees	2,968,331	663,873	213,138	3,845,342	5,340	(5,340)	3,845,342
Depreciation and amortization	2,575,227	-	15,452	2,590,679	-	-	2,590,679
Conferences and conventions	1,474,934	95,216	31,762	1,601,912	-	-	1,601,912
Travel and agency vehicles	610,727	199,730	21,559	832,016	-	-	832,016
Real estate related expenses	86,192	-	17,715	103,907	-	-	103,907
Rental and maintenance	699,529	-	16,798	716,327	-	-	716,327
Professional dues	321,693	54,965	38,200	414,858	-	-	414,858
Telephone and communications	156,601	21,915	12,511	191,027	-	-	191,027
Supplies	86,982	50,125	4,134	141,241	-	-	141,241
Seminar and training fees	103,591	28,115	3,268	134,974	-	-	134,974
Employee relations	29,903	-	2,639	32,542	-	-	32,542
Printing, publications, and advertising	55,393	105	233	55,731	-	-	55,731
Bank service charges	10,715	-	5,047	15,762	-	-	15,762
Postage and shipping	10,123	251	109	10,483	-	-	10,483
Interest on notes payable	-	-	-	-	1,218	-	1,218
Miscellaneous	-	-	-	-	-	-	-
Bad debt (recovery) expense	-	-	-	-	-	-	-
Total expense	$ 37,952,561	$ 33,257,957	$ 875,012	$ 72,085,530	$ 6,558	$ (5,340)	$ 72,086,748

(Continued)

Goodwill Industries International, Inc. and Related Entities

Consolidating Statement of Functional Expenses (Continued)
Year Ended December 31, 2019
(With Comparative Totals for 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	2019 Grand Total	2018 Grand Total
Salaries	$ 1,414,199	$ 296,291	$ -	$ -	$ -	$ 1,710,490	$ 13,573,942	$ 14,040,968
Employee benefits	224,076	50,021	-	-	-	274,097	2,824,522	2,785,698
Payroll taxes	99,394	20,678	-	-	-	120,072	978,555	1,056,131
Personnel expenses	1,737,669	366,990	-	-	-	2,104,659	17,377,019	17,882,797
Awards and grants	15,000	-	-	-	-	15,000	30,511,775	30,125,187
Public service announcements (in-kind)	-	-	-	-	-	-	15,629,594	21,452,379
Professional fees	472,098	9,838	-	-	-	481,936	4,327,278	4,666,475
Depreciation and amortization	424,216	-	-	-	-	424,216	3,014,895	1,702,227
Conferences and conventions	240,142	10,726	-	-	-	250,868	1,852,780	1,986,958
Travel and agency vehicles	87,272	14,730	-	-	-	102,002	934,018	838,096
Real estate related expenses	819,500	836	-	-	-	820,336	924,243	867,680
Rental and maintenance	121,248	-	-	-	-	121,248	837,575	808,650
Professional dues	5,546	1,904	-	-	-	7,450	422,308	243,004
Telephone and communications	84,992	-	-	-	-	84,992	276,019	306,250
Supplies	70,370	130	-	-	-	70,500	211,741	226,698
Seminar and training fees	14,730	1,752	-	-	-	16,482	151,456	192,803
Employee relations	32,494	153	-	-	-	32,647	65,189	92,687
Printing, publications, and advertising	242	-	-	-	-	242	55,973	73,714
Bank service charges	28,210	93	-	-	-	28,303	44,065	42,190
Postage and shipping	3,523	121	-	-	-	3,644	14,127	21,004
Interest on notes payable	-	-	-	-	-	-	1,218	29,812
Miscellaneous	350	-	-	-	-	350	350	-
Bad debt (recovery) expense	(53,950)	-	-	-	-	(53,950)	(53,950)	(96,710)
Total expense	$ 4,103,652	$ 407,273	$ -	$ -	$ -	$ 4,510,925	$ 76,597,673	$ 81,461,901

See notes to consolidating financial statements.

Goodwill Industries International, Inc. and Related Entities

Consolidating Statement of Cash Flows
Year Ended December 31, 2019
(With Comparative Totals for 2018)

	2019				2018
	GII / LLC	**GMJCS**	**Eliminations**	**Total**	Total
Cash flows from operating activities					
Change in net assets	**$ 840,340**	**$ 6,058**	**$ -**	**$ 846,398**	$ (2,116,607)
Adjustments to reconcile change in net assets					
to net cash provided by operating activities:					
Net (gain) loss on investments	**(655,970)**	**-**	**-**	**(655,970)**	351,411
Bad debt (recoveries) expense	**(53,950)**	**-**	**-**	**(53,950)**	(96,710)
Change in allowance for doubtful notes receivable	**-**	**(5,307)**	**-**	**(5,307)**	(9,811)
Depreciation and amortization	**3,014,895**	**-**	**-**	**3,014,895**	1,702,227
Changes in assets and liabilities:	**-**	**-**	**-**		
(Increase) decrease in:					
Accounts receivable	**(65,196)**	**-**	**5,340**	**(59,856)**	357,100
Pledges receivable	**(1,403,743)**	**-**	**-**	**(1,403,743)**	646,637
Grants receivable	**(412,401)**	**-**	**-**	**(412,401)**	111,496
Prepaid expenses and other assets	**(160,823)**	**2,498**	**-**	**(158,325)**	183,215
Increase (decrease) in:					
Accounts payable	**(954,841)**	**5,340**	**(5,340)**	**(954,841)**	(191,887)
Accrued expense	**571,654**	**(6,496)**	**-**	**565,158**	(168,933)
Deferred revenue	**(54,407)**	**-**	**-**	**(54,407)**	77,277
Rebates payable	**-**	**-**	**-**	**-**	(77,228)
Net cash provided by operating activities	**665,558**	**2,093**	**-**	**667,651**	768,187
Cash flows from investing activities					
Proceeds from sales of investments	**8,084,684**	**-**	**-**	**8,084,684**	8,778,390
Purchases of investments	**(7,294,779)**	**-**	**-**	**(7,294,779)**	(7,661,016)
Proceeds from payments on notes receivable	**-**	**909,759**	**-**	**909,759**	1,964,454
Purchases of property and equipment	**(1,880,004)**	**-**	**-**	**(1,880,004)**	(1,877,321)
Net cash (used in) provided by investing activities	**(1,090,099)**	**909,759**	**-**	**(180,340)**	1,204,507
Cash flows from financing activities					
Payments of principal on notes payable	**-**	**(1,010,189)**	**-**	**(1,010,189)**	(1,964,454)
Net cash used in financing activities	**-**	**(1,010,189)**	**-**	**(1,010,189)**	(1,964,454)
Net (decrease) increase in cash and cash equivalents	**(424,541)**	**(98,337)**	**-**	**(522,878)**	8,240
Cash and cash equivalents:					
Beginning	**2,501,367**	**1,016,009**	**-**	**3,517,376**	3,509,136
Ending	**$ 2,076,826**	**$ 917,672**	**$ -**	**$ 2,994,498**	$ 3,517,376
Supplemental disclosure of cash flow information:					
Cash paid during the year for interest	**$ -**	**$ (13,021)**	**$ -**	**$ (13,021)**	$ (48,853)

See notes to consolidating financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: 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.

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.

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 entities.

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

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

A summary of the Organization's significant accounting policies follows:

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

Basis of accounting: The financial statements of the Organization have been prepared on the accrual basis of accounting, whereby unconditional support is recognized when received, revenue is recognized when earned and expenses are recognized when incurred.

Basis of presentation: The financial statement presentation follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Not-For-Profit Entities Topic of the FASB ASC, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

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.

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.

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 included $1,000,000, which was required to be designated as a loan loss reserve related to the notes payable. The designation expired in 2019 when the notes payable were repaid in full. 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.

Investments: Investments with readily determinable fair values are reflected at fair market value. To adjust the carrying value of these investments, the change in fair market value is charged or credited to investment return net of related fees.

Financial 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.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

The Organization invests in a professionally managed portfolio that contains money market funds, government and corporate bonds, mutual funds, and common stock. Such investments 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.

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.

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, 2019, all pledges receivable were expected to be collected within a year and management determined that no allowance was required.

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, 2019 and 2018.

Notes receivable: 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.

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.

Property and equipment: 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 – three to five years. Land and artwork are not depreciated.

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.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

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 $500,000 at December 31, 2019. The net operating loss carry-forwards will expire at various dates through 2039. A deferred tax asset has not been recognized due to the uncertainty of realizing a benefit from the net operating loss carry-forwards.

Adopted accounting pronouncements: During 2019, the Organization adopted the guidance regarding contributions received from Accounting Standards Update (ASU) 2018-08*, Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This standard is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this standard include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance to better distinguish between conditional and unconditional contributions. Based on the Organization's review of its grants and contracts, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under this new standard. The adoption of this standard had no impact on the statements of financial position and the statement of activities and changes in net assets. The Organization will adopt the guidance regarding contributions made from ASU 2018-08 during the year ending December 31, 2020.

Also during 2019, the Organization adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606).* This standard requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods and services to customers. ASU 2014-09 replaces most existing revenue recognition guidance in generally accepted accounting principles (GAAP). This standard also requires expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. The Organization adopted the new standard effective for the year ended December 31, 2019, using the full retrospective method. Based on the Organization's review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under this new standard. The adoption of this standard had no impact on the statements of financial position and the statement of activities and changes in net assets but resulted in additional disclosures.

Revenue: The Organization's activities are primarily supported through federal grants, membership dues, program service fees, and contributions from individual, corporate, and foundation donors. Prices for membership dues and program service fees are specific to distinct performance obligations and do not consist of multiple transactions. Economic factors are driven by consumer confidence, employment, inflation, and other world events that impact the timing and level of cash received and revenue recognized by the Organization. Periods of economic downturn resulting from any of the above factors may result in declines in future cash flows and recognized revenue of the Organization.

The Organization did not have any impairment or credit losses on any receivables or contract assets arising from contracts with customers. There are also no incremental costs of obtaining a contract and no significant financing components. Finally, there are no significant changes in the judgments affecting the determination of the amount and timing of revenue from contracts with customers.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Federal awards: GII receives awards from federal agencies. Such award instruments are to be used for specific programs in accordance with compliance requirements. Federal grants are considered conditional contributions and the recognition of grant revenue is deferred until barriers imposed under the grant document are met by GII. Revenue is recognized as the related qualifying expenses are incurred as allowable by the grants.

Membership dues: Membership dues are billed annually for the membership period, which coincides with the calendar year. Member benefits include use of the Goodwill brand and trademarks; protection of the Goodwill brand and trademarks; access to consultation services for donated goods retail, business services, board development and strategic planning; access to participate in GII national grant programs; access to an online library of resources; and access to member-only conferences and training opportunities. All member benefits are considered one performance obligation and revenue is recognized ratably over the calendar year as the delivery of the member benefits are provided.

Program service fees: Conference and event registrations and their related sponsorships are recognized at the point in time that the related meeting or event takes place. Registration and sponsorships are generally collected in advance of the conference or event and recorded as deferred revenue until the conference or event occurs. Fees related to GoodTrak, GII's web-based software system that allows client tracking and case management for local Goodwill members, are collected in advance of the service period and recognized using the straight-line method over the user's service period. Total program service fees recognized at a point in time were $2,146,743 and $1,951,956, for the years ended December 31, 2019 and 2018, respectively. Total program service fees recognized over a period of time were $375,387 and $401,147 for the years ended December 31, 2019 and 2018, respectively.

Rental: GII rents part of its headquarters building to an unrelated tenant. Rental revenue is recognized on a straight-line basis over the life of the lease.

Contributions, legacies and bequests: Unconditional contributions (including those received through bequests and legacies) are recorded to net assets with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Contributions, including unconditional promises to give cash or other assets, are reported at fair value at the date that there is sufficient verifiable evidence documenting that a promise was made by the donor and received by the Organization. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Assets received in connection with conditional promises are reported as refundable advances until such time the conditions are substantially met.

In-kind contributions: From time to time, donated services are recognized as contributions and expense in accordance with 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. During the years ended December 31, 2019 and 2018, the Organization received in-kind contributions related to Public Service Announcements (PSA), which were recorded at the estimated fair value provided by the donor, as well as in-kind contributions of professional services from consultants and attorneys.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

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. Expenses that can be identified with a specific program or support service are charged directly, according to their natural expenditure classification. Accordingly, certain 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 on the basis of the labor costs utilized by each area.

Prior-year comparative totals: The consolidating financial statements include certain 2018 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 2018 consolidating financial statements, from which the summarized information was derived.

Measure of operations: The Organization does not include net investment return – non-operating in the change in net assets without donor restrictions from operations.

Pending accounting pronouncement: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the current leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheets for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for the Organization for the year beginning January 1, 2022. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is currently evaluating the impact of the pending adoption of the new standard on its financial statements.

Use of estimates: The preparation of financial statements in conformity with accounting principles GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results may differ from estimates under different assumptions or conditions.

Subsequent events: In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 11, 2020, the date the financial statements were available to be issued.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and on March 10, 2020, declared COVID-19 a pandemic. The impact of COVID-19 could negatively impact the Organization's operations, suppliers or other vendors, and membership base. The operations for the Organization's services could be negatively impacted by the regional and global outbreak of COVID-19, including stop-work orders on existing grants and cancellation of conferences and events for an unknown period of time. Any quarantines, labor shortages or other disruptions to the Organization's operations, or those of its members, may adversely impact the Organization's revenues, ability to provide its services and operating results. In addition, a significant outbreak of epidemic, pandemic or contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, including the geographical area in which the Organization operates, resulting in an economic downturn that could affect demand for its services. The extent to which the coronavirus impacts the Organization's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and actions taken to contain the coronavirus or its impact, among others. As part of its response to the pandemic, during April 2020, the Organization applied for a federal paycheck protection program (PPP) loan. The Organization's application was approved and a PPP loan of $1,908,300 was received. The Organization believes that most, if not all, of the PPP loan will meet the requirements for debt forgiveness. In addition, the Organization has instituted operational changes and a staff restructuring in order to reduce expenses.

Note 2. 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, 2019 and 2018, 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.

Note 2. Liquidity and Availability (Continued)

		2019		2018
Cash and cash equivalents	$	2,994,498	$	3,517,376
Investments		14,734,349		14,868,284
Accounts receivable and grants receivable		5,863,136		5,336,929
Pledges receivable		1,560,243		156,500
Accounts payable to subrecipients		(4,745,778)		(5,375,208)
Cash collateral related to notes payable		-		(1,000,000)
Net assets with donor restrictions		(10,696,069)		(9,064,465)
Board-designated special projects fund		(955,370)		(955,370)
Financial assets available to meet cash needs for general expenditure within one year *	$	8,755,009	$	7,484,046

* GMJCS financial assets are included in this amount. GMJCS financial assets available to meet cash needs for general expenditure within one year were $917,672 and $16,009 as of December 31, 2019 and 2018 respectively.

Note 3. Investments and Fair Value Measurements

The Fair Value Measurement Topic of the ASC defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under this topic as assumptions market participants would use in pricing an asset or liability.

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. As required by the Fair Value Measurement Topic, the Organization does not adjust the quoted prices for these investments even in situations where the Organization holds a large position and a sale could reasonably impact the quoted price.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly, and fair value is determined through the use of models or other valuation methodologies. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3: Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. Investments that are included in this category are investments where fair value is not based on a NAV practical expedient. There were no Level 3 inputs for any assets or liabilities held by the Organization at December 31, 2019 and 2018.

The Organization’s investments in mutual funds and common stocks are classified as Level 1 items as they are traded on a public exchange. Corporate bonds, municipal bonds, and U.S. Government obligations are classified as Level 2 investments as there are no quoted market prices in active markets for identical assets.

Note 3. Investments and Fair Value Measurements (Continued)

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

Investments consist of the following at December 31, 2019 and 2018:

2019	Total	Level 1	Level 2	Level 3
Investments, at fair value				
Fixed income mutual funds	$ 1,581,849	$ 1,581,849	$ -	$ -
Equity mutual funds	1,258,933	1,258,933	-	-
Common stock	1,111,935	1,111,935	-	-
Corporate bonds	1,053,142	-	1,053,142	-
U.S. Government obligations	965,208	-	965,208	-
Municipal bonds	305,220	-	305,220	-
Investments carried at fair value	6,276,287	$ 3,952,717	$ 2,323,570	$ -
Investments, at cost				
Cash and money market funds	8,458,062			
Total investments	$ 14,734,349			

Subsequent to December 31, 2019, financial markets have experienced a high degree of volatility. Therefore, the December 31, 2019, investment balances presented above do not reflect the changes that may have occurred during 2020.

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	-
Common stock	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			

Note 4. Employee Benefit 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 $0 and $39,000 for the years ended December 31, 2019 and 2018, respectively. The 457(f) plan ended when the participant terminated employment during 2018 and the non-vested contributions were forfeited to GII.

Note 4. Employee Benefit Plans (Continued)

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 $1,009,580 and $1,049,980 for the years ended December 31, 2019 and 2018, respectively.

Note 5. Accounts Receivable

Accounts receivable consist of the following at December 31, 2019 and 2018:

	2019	2018
Membership dues	$ 638,816	$ 572,790
Services and supplies	146,857	137,560
GoodTrak	86,676	66,054
Member agreements *	63,410	114,139
Other receivables	57,806	43,165
Due from GMJCS	21,216	15,876
Less allowance for doubtful accounts receivable	(199,640)	(253,589)
Net accounts receivable - GII	815,141	695,995
Less GMJCS elimination in consolidation	(21,216)	(15,876)
Net consolidated accounts receivable	$ 793,925	$ 680,119

* 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 $57,000 and $97,000 at December 31, 2019 and 2018, respectively.

Note 6. Pledges Receivable

Unconditional pledges receivable consist of the following at December 31, 2019 and 2018:

	2019	2018
Amounts due in less than one year	$ 569,433	$ 156,500
Amounts due in one to five years	1,247,866	
	1,817,299	156,500
Less discount to net present value	(29,680)	-
Less allowance for doubtful pledges receivable	(227,376)	-
	$ 1,560,243	$ 156,500

Note 7. Conditional Promises to Give

The Organization has conditional grants with both private foundations and federal agencies that are contingent upon the Organization meeting donor imposed barriers which include carrying out certain activities and incurring qualified expenditures stipulated by the grants. The majority of conditional promises to give consist of amounts that may be received under federal grants. As of December 31, 2019, amounts that may be received from federal awards is estimated to be $19,318,000

Note 8. Grants Receivable

Grants receivable consist of the following at December 31, 2019 and 2018:

	2019	2018
U.S. Department of Labor:		
Senior Community Service:		
Employment Program (SCSEP)	$ 3,479,603	$ 3,494,454
Reentry Employment Opportunities (LifeLaunch)	1,416,812	977,456
H-1B Job Training Grants (Careers in Technology)	152,306	146,386
U.S. Department of Justice:		
Juvenile Mentoring Program (Good Guides)	-	16,856
Subtotal - federal grants receivable	5,048,721	4,635,152
Private grants:		
IHG Focus Group	20,490	21,658
	$ 5,069,211	$ 4,656,810

Note 9. Notes Receivable

The Organization (specifically, GMJCS) had 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.

As of December 31, 2019, three notes with three Goodwill members had outstanding balances totaling $100,429. Future anticipated payments of principal totaling $100,429 on the notes receivable are due in 2020. The allowance for doubtful notes receivable was $561 as of December 31, 2019.

As of December 31, 2018, fourteen notes with eight Goodwill members had outstanding balances totaling $1,010,189. The allowance for doubtful notes receivable was $5,869 as of December 31, 2018.

Note 10. Property and Equipment

Property and equipment consisted of the following at December 31, 2019 and 2018:

	2019	2018
Land	$ 1,500,000	$ 1,500,000
Building and improvements	8,425,777	8,391,196
Furniture and equipment	2,882,896	2,829,443
Software	8,116,975	6,323,820
Artwork	60,000	60,000
	20,985,648	19,104,459
Less accumulated depreciation and amortization	(13,737,423)	(10,721,343)
	$ 7,248,225	$ 8,383,116

Note 11. Debt Obligations

Notes payable: The Organization (specifically, GMJCS) had notes payable to three private foundations for use in making program related investments through loans to member organizations (see notes receivable described in Note 8). The notes payable had a maximum principal totaling $10,000,000 and interest was determined at a rate of 2% per annum. The Organization began making principal and interest payments in September 2014. On July 15, 2016, the period for disbursements under the agreements ended.

The loan documents contained 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. The loan document also described various events of default and, in accordance with these terms, GMJCS had not defaulted on the loans during the year ended December 31, 2018.

In accordance with the terms of the loan documents, cash of at least $1,000,000 was held at a bank and was 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. No such losses occurred through December 31, 2018. The requirement to hold a cash loan loss reserve was removed when the notes payable to the three private foundations were paid off in full during 2019.

Note 12. Net Assets

Net assets without donor restrictions consisted of the following at December 31, 2019 and 2018:

	2019	2018
GII:		
Undesignated - general operations	$ 11,802,510	$ 12,593,774
Designated by the board for:		
International activities	955,370	955,370
	$ 12,757,880	$ 13,549,144

Note 12. Net Assets (Continued)

	2019	2018
GMJCS:		
Undesignated - general operations	$ 996,617	$ (9,441)
Designated by the Board for:		
Loan loss reserve	-	1,000,000
	$ 996,617	$ 990,559

GII's net assets with donor restrictions consisted of the following at December 31, 2019 and 2018:

	2019	2018
Specified purpose:		
Private foundation funds	$ 7,029,672	$ 6,820,875
Operations funds	1,723,004	515,815
International funds	13,163	13,163
Endowment:		
Endowment corpus*	1,462,962	1,335,655
Endowment earnings*	467,268	378,957
	$ 10,696,069	$ 9,064,465

***** See discussion of endowments in Note 13.

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:

	2019	2018
Private foundation funds	$ 6,914,876	$ 6,615,668
Operations funds	484,660	768,326
Endowment earnings	8,522	27,590
	$ 7,408,058	$ 7,411,584

Note 13. 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.

Note 13. Endowments (Continued)

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.

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, 2019 and 2018.

GII's endowment funds consisted of the following at December 31, 2019, with 2018 totals:

	With Donor Restrictions			2018
	Specified Purpose	Perpetual in Nature	Total	Total
Operations funds:				
Kenneth K. King Training Trust *	$ 105,060	$ 1,047,879	$ 1,152,939	$ 1,023,659
Richard and Lois England *	24,006	20,000	44,006	160,444
Frank F. Flegal Education and Training	131,959	166,752	298,711	127,827
International funds:				
Gerald Clore Training	186,477	100,000	286,477	258,379
Barker Education	9,314	123,131	132,445	130,099
Sioux City	10,452	5,200	15,652	14,204
	$ 467,268	$ 1,462,962	$ 1,930,230	$ 1,714,612

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

Note 13. Endowments (Continued)

Changes in GII's endowment funds consisted of the following for the year ended 2019 with 2018 totals:

	With Donor Restrictions			2018
	Specified Purpose	Perpetual in Nature	Total	Total
Endowment funds, beginning	$ 378,957	$ 1,335,657	$ 1,714,614	$ 1,810,829
Investment return, net	96,833	127,305	224,138	(68,627)
Appropriations	(8,522)	-	(8,522)	(27,590)
Endowment funds, ending	$ 467,268	$ 1,462,962	$ 1,930,230	$ 1,714,612

Note 14. In-Kind Contributions

In-kind contributions to GII consisted of the following during the years ended December 31, 2019 and 2018:

	2019	2018
Public Service Announcements	$ 15,629,594	$ 21,452,379
Professional services	97,966	97,966
	$ 15,727,560	$ 21,550,345

Note 15. Commitments and Contingencies

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 financial position.

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 $294,380 and $292,541 for the years ended December 31, 2019 and 2018, respectively. Future minimum cash basis rental receipts are expected to be $303,576 for the year ending December 31, 2020.

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.

Note 16. Expenditures to Subrecipients

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

	2019	2018
Expenditures to subrecipients	$ 25,045,152	$ 24,871,517
Expenditures used directly	1,422,224	1,707,911
	$ 26,467,376	$ 26,579,428

Goodwill Industries International, Inc. and Related Entities

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2019

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 4	$ 20,887,432	$ 20,096,589
Reentry Employment Opportunities (LifeLaunch)	17.270	Note 4	4,585,883	4,093,588
H-1B Job Training Grants (Careers in Technology)	17.268	Note 4	994,061	854,975
Total Expenditures of Federal Awards			$ 26,467,376	$ 25,045,152

See notes to the schedule of expenditures of federal awards.

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Goodwill Industries International, Inc. (GII) for the year ended December 31, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule 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.

Note 2. Summary of Significant Accounting Policies for Federal Award Expenditures

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. 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.

Note 4. Contract Numbers

Federal expenditures from Federal agencies were included in awards under the following contracts for the year ended December 31, 2019:

U.S. Department of Labor		
Senior Community Service		
Employment Program (SCSEP)	17.235	
AD-31812-18-55-A24		$ 10,716,183
AD-33650-19-60-A24		10,171,249
		20,887,432
Reentry Employment Opportunities (LifeLaunch)	17.270	
YF-29325-16-60-A-24		951,030
PE-30788-17-60-A-24		1,668,413
PE-32132-18-60-A-24		1,655,841
YF-33520-19-60-A24		310,599
		4,585,883
H-1B Job Training Grants (Careers in Technology)	17.268	
HG-29347-16-60-A-24		994,061
		$ 26,467,376

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*

Independent Auditor's Report

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 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, 2019, 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 (collectively, the financial statements), and have issued our report thereon dated June 11, 2020.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of 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 the Organization'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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Washington, D.C.
June 11, 2020

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

Independent Auditor's Report

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, 2019. 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, 2019.

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.

RSM US LLP

Washington, D.C.
June 11, 2020

Goodwill Industries International, Inc. and Related Entities

Schedule of Findings and Questioned Costs
Year Ended December 31, 2019

Section I. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes X None Reported
• Significant deficiency(ies) identified?	Yes X No
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?	Yes X None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
17.235	U.S. Department of Labor Senior Community Service Employment Program (SCSEP)
17.270	U.S Department of Labor Reentry Employment Opportunities (LifeLaunch)

Dollar threshold used to distinguish between Type A and Type B programs:	$794,021
Auditee qualified as low-risk auditee?	X Yes No

Section II. Findings Related to the Financial Statements

None reported.

Section III. Findings and Questioned Costs Related to Federal Awards

None reported.

Goodwill Industries International, Inc. and Related Entities

Summary Schedule of Prior Audit Findings
Year Ended December 31, 2019

There were no findings reported for the year ended December 31, 2018.