Goodwill Industries International, Inc. and Related Entities

Consolidated Financial and Compliance Report
December 31, 2020

Contents

Independent Auditor's Report

Board of Directors
Goodwill Industries International, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Goodwill Industries International, Inc. and Related Entities (the Organization), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated 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 audits. We conducted our audits 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 audits 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 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, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Supplementary and Other Information

Our audits were 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 April 28, 2021, 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.
April 28, 2021

Goodwill Industries International, Inc. and Related Entities

Consolidated Statements of Financial Position
December 31, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	**$ 30,244,336**	$ 2,994,498
Investments	**15,863,204**	14,734,349
Accounts receivable, net	**1,078,709**	793,925
Promises to give, net	**-**	1,560,243
Grants receivable	**4,097,889**	5,069,211
Prepaid expenses and other assets	**666,322**	729,215
Notes receivable	**-**	99,868
Property and equipment, net	**5,895,883**	7,248,225
Total assets	**$ 57,846,343**	$ 33,229,534
Liabilities and Net Assets		
Liabilities:		
Accounts payable	**$ 5,863,928**	$ 5,579,146
Accrued expenses	**2,244,119**	2,801,982
Deferred revenue	**447,003**	397,840
Paycheck Protection Program loan	**1,908,300**	-
Total liabilities	**10,463,350**	8,778,968
Net assets:		
Without donor restrictions	**38,203,244**	13,754,497
With donor restrictions	**9,179,749**	10,696,069
Total net assets	**47,382,993**	24,450,566
Total liabilities and net assets	**$ 57,846,343**	$ 33,229,534

See notes to consolidated financial statements.

Goodwill Industries International, Inc. and Related Entities

Consolidated Statements of Activities
Years Ended December 31, 2020 and 2019

	2020	2019
Activities without donor restrictions:		
Revenue and support:		
Federal awards	**$ 24,828,373**	$ 26,467,376
Membership dues	**20,477,059**	21,565,262
Contributions	**20,377,099**	236,488
Program service fees	**1,137,035**	2,522,130
Rental	**303,578**	294,380
In-kind contributions	**150,000**	15,727,560
Net investment return – operations	**119,903**	109,696
Legacies and bequests	**88,404**	965,755
Other income	**16,445**	31,779
Net assets released from restriction	**9,236,247**	7,408,058
Total revenue and support	**76,734,143**	75,328,484
Expenses:		
Program services:		
Direct services to membership	**13,600,020**	37,953,779
Sponsored programs and grants	**33,787,124**	33,257,957
Support services to membership	**1,190,052**	875,012
Total program services	**48,577,196**	72,086,748
Management and general services:		
General and administrative	**3,439,181**	4,103,652
Resource development	**634,824**	407,273
Total management and general services	**4,074,005**	4,510,925
Total expenses	**52,651,201**	76,597,673
Change in net assets without donor restrictions from operations	**24,082,942**	(1,269,189)
Net investment return – non-operating	**365,805**	483,983
Change in net assets without donor restrictions	**24,448,747**	(785,206)
Activities with donor restrictions:		
Contributions	**9,511,605**	8,715,893
Net investment return – donor restricted	**193,737**	323,769
Net assets released from restriction	**(9,236,247)**	(7,408,058)
Cancellation of public service announcement campaign	**(1,985,415)**	-
Change in net assets with donor restrictions	**(1,516,320)**	1,631,604
Change in net assets	**22,932,427**	846,398
Net assets:		
Beginning	**24,450,566**	23,604,168
Ending	**$ 47,382,993**	$ 24,450,566

See notes to consolidated financial statements.

Goodwill Industries International, Inc. and Related Entities

Consolidated Statement of Functional Expenses
Year Ended December 31, 2020

	Program Services				Management and General Services		
	Direct Services to Membership	Sponsored Programs and Grants	Support Services to Membership	Total Program Services	General and Administrative Services	Resource Development	Total
Salaries	$ 6,708,918	$ 2,255,094	$ 702,772	$ 9,666,784	$ 1,381,777	$ 374,628	$ 11,423,189
Employee benefits	1,294,835	463,949	109,906	1,868,690	235,229	49,467	2,153,386
Payroll taxes	525,547	202,133	57,722	785,402	100,494	29,687	915,583
Personnel expenses	8,529,300	2,921,176	870,400	12,320,876	1,717,500	453,782	14,492,158
Awards and grants	355,101	28,619,751	-	28,974,852	-	-	28,974,852
Professional fees	1,881,941	1,854,296	162,851	3,899,088	293,070	160,880	4,353,038
Depreciation and amortization	1,089,592	-	11,940	1,101,532	368,846	-	1,470,378
Rental and maintenance	656,667	77,354	21,884	755,905	110,439	-	866,344
Real estate related expenses	77,753	71,587	31,204	180,544	483,077	3,895	667,516
Conferences and conventions	354,356	16,159	6,617	377,132	35,284	3,416	415,832
Professional dues	297,718	50,037	57,612	405,367	4,110	5,772	415,249
Bad debt expense	-	-	-	-	296,155	-	296,155
Telephone and communications	116,063	63,611	10,403	190,077	50,342	-	240,419
Travel and agency vehicles	141,539	45,667	8,682	195,888	6,303	6,356	208,547
Supplies	33,507	55,372	1,312	90,191	19,719	84	109,994
Seminar and training fees	31,589	11,060	2,145	44,794	4,373	155	49,322
Bank service charges	16,843	-	3,789	20,632	19,825	261	40,718
Employee relations	8,005	85	1,004	9,094	26,695	114	35,903
Postage and shipping	4,738	969	209	5,916	3,443	109	9,468
Printing, publications, and advertising	5,308	-	-	5,308	-	-	5,308
	$ 13,600,020	$ 33,787,124	$ 1,190,052	$ 48,577,196	$ 3,439,181	$ 634,824	$ 52,651,201

See notes to consolidated financial statements.

Goodwill Industries International, Inc. and Related Entities

Consolidated Statement of Functional Expenses
Year Ended December 31, 2019

	Program Services				Management and General Services		
	Direct Services to Membership	Sponsored Programs and Grants	Support Services to Membership	Total Program Services	General and Administrative Services	Resource Development	Total
Salaries	$ 9,736,396	$ 1,753,158	$ 373,898	$ 11,863,452	$ 1,414,199	$ 296,291	$ 13,573,942
Employee benefits	2,091,704	381,855	76,866	2,550,425	224,076	50,021	2,824,522
Payroll taxes	704,976	127,364	26,143	858,483	99,394	20,678	978,555
Personnel expenses	12,533,076	2,262,377	476,907	15,272,360	1,737,669	366,990	17,377,019
Awards and grants	599,950	29,881,285	15,540	30,496,775	15,000	-	30,511,775
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	472,098	9,838	4,327,278
Depreciation and amortization	2,575,227	-	15,452	2,590,679	424,216	-	3,014,895
Rental and maintenance	699,529	-	16,798	716,327	121,248	-	837,575
Real estate related expenses	86,192	-	17,715	103,907	819,500	836	924,243
Conferences and conventions	1,474,934	95,216	31,762	1,601,912	240,142	10,726	1,852,780
Professional dues	321,693	54,965	38,200	414,858	5,546	1,904	422,308
Bad debt (recovery) expense	-	-	-	-	(53,950)	-	(53,950)
Telephone and communications	156,601	21,915	12,511	191,027	84,992	-	276,019
Travel and agency vehicles	610,727	199,730	21,559	832,016	87,272	14,730	934,018
Supplies	86,982	50,125	4,134	141,241	70,370	130	211,741
Seminar and training fees	103,591	28,115	3,268	134,974	14,730	1,752	151,456
Bank service charges	10,715	-	5,047	15,762	28,210	93	44,065
Employee relations	29,903	-	2,639	32,542	32,494	153	65,189
Postage and shipping	10,123	251	109	10,483	3,523	121	14,127
Printing, publications, and advertising	55,393	105	233	55,731	242	-	55,973
Miscellaneous	1,218	-	-	1,218	350	-	1,568
	$ 37,953,779	$ 33,257,957	$ 875,012	$ 72,086,748	$ 4,103,652	$ 407,273	$ 76,597,673

See notes to consolidated financial statements.

Goodwill Industries International, Inc. and Related Entities

Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	**$ 22,932,427**	$ 846,398
Adjustments to reconcile change in net assets		
to net cash provided by operating activities:		
Realized and unrealized gain on investments	**(494,853)**	(655,970)
Bad debt (recoveries) expense	**296,155**	(53,950)
Change in allowance for doubtful notes receivable	**(561)**	(5,307)
Depreciation and amortization	**1,470,378**	3,014,895
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	**(580,939)**	(59,856)
Promises to give	**1,560,243**	(1,403,743)
Grants receivable	**971,322**	(412,401)
Prepaid expenses and other assets	**62,893**	(158,325)
Increase (decrease) in:		
Accounts payable	**284,782**	(954,841)
Accrued expenses	**(557,863)**	565,158
Deferred revenue	**49,163**	(54,407)
Net cash provided by operating activities	**25,993,147**	667,651
Cash flows from investing activities:		
Proceeds from sales of investments	**10,778,647**	8,084,684
Purchases of investments	**(11,412,649)**	(7,294,779)
Proceeds from payments on notes receivable	**100,429**	909,759
Purchases of property and equipment	**(118,036)**	(1,880,004)
Net cash used in investing activities	**(651,609)**	(180,340)
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loan	**1,908,300**	-
Payments of principal on notes payable	**-**	(1,010,189)
Net cash provided by (used in) financing activities	**1,908,300**	(1,010,189)
Net increase (decrease) in cash and cash equivalents	**27,249,838**	(522,878)
Cash and cash equivalents:		
Beginning	**2,994,498**	3,517,376
Ending	**$ 30,244,336**	$ 2,994,498
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	**$ -**	$ (13,021)

See notes to consolidated 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 services 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 services include expenditures related to administrative and governance activities, maintaining the building and managing the financial responsibilities of the entities.

Resource development: The resource development services include 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 consolidated 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 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 consolidated 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.

Use of estimates: The preparation of consolidated financial statements in accordance with generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

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 $510,000 at December 31, 2020. The net operating loss carry-forwards will expire at various dates through 2040. A deferred tax asset has not been recognized due to the uncertainty of realizing a benefit from the net operating loss carry-forwards.

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

Adoption of recent accounting pronouncements: In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The Organization adopted the standard for contributions received effective for the year ended December 31, 2019. The Organization adopted the standard for contributions made effective for the year ended December 31, 2020 using the modified prospective method. Based on the Organization's review of the contributions it makes, the timing and amount of expense recognized previously is consistent with how expense is recognized under this new standard. The adoption had no impact on the consolidated statements of financial position and the consolidated statements of activities.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements for fair value measurements by removing, modifying or adding certain disclosures. The Organization adopted the provisions of ASU 2018-13 for the year ended December 31, 2020. The adoption of ASU 2018-13 had no impact on the consolidated financial statements.

Cash and cash equivalents: The Organization classifies demand deposits as cash and cash equivalents. 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 value. To adjust the carrying value of these investments, the change in fair value is charged or credited to investment return net of related fees.

Financial risk: The Organization maintains its cash in bank deposit accounts and money market funds. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. government. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant financial risk on cash.

The Organization invests in a professionally managed portfolio that contains various marketable securities. Such investments are exposed to various risks, such as market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risk in the near-term could materially affect investment balances and the amounts reported in the consolidated financial statements.

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.

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

Promises to give: GII records unconditional promises to give that are expected to be collected within one year at net realizable value. GII provides for probable losses on promises to give 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. Promises to give that are collectable in over a year are recorded at a discount. Promises to give consisted entirely of amounts due for the National PSA Campaign as of December 31, 2019. Due to extenuating circumstances caused by the coronavirus pandemic, GII refunded all the member paid contributions and canceled all unpaid pledges related to their participation in the National PSA Campaign. The recognized loss due to the cancellation is reflected within activities with donor restrictions in the 2020 statement of activities in the amount of $1,985,415.

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, 2020 and 2019.

Notes receivable: Notes receivable are due from Goodwill members and 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.

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.

Valuation of long-lived assets: The Organization accounts for the subsequent measurement of certain long-lived assets in accordance with subsections of the FASB ASC Topic, Property, Plant and Equipment that address impairment or disposal of long-lived assets. The accounting standard requires that property, plant and equipment and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of carrying amount or fair value, less costs to sell. During the years ended December 31, 2020 and 2019, management did not consider the value of any property or equipment to be impaired.

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.

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

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.

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 over the period of 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 conference and event registrations and sponsorships recognized over a period of time were $829,742 and $2,146,743, for the years ended December 31, 2020 and 2019, respectively. Total GoodTrak fees recognized over a period of time were $307,293 and $375,387 for the years ended December 31, 2020 and 2019, 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.

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

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 consolidated 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, 2020 and 2019, 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.

Functional allocation of expenses: The costs of providing various program and supporting services have been summarized on a functional basis in the accompanying consolidated 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 the members on the basis of the labor costs utilized by each area.

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 pronouncements: 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 consolidated 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 consolidated financial statements, with certain practical expedients available. The Organization is currently evaluating the impact of the pending adoption of the new standard on its consolidated financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the consolidated statements of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This ASU is effective for the Organization's fiscal year ending December 31, 2022. ASU 2020-07 is not expected to have a significant impact on the Organization's consolidated financial statements.

Subsequent events: In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 28, 2021, the date the consolidated financial statements were available to be issued.

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, 2020 and 2019, reduced by amounts that are not available to meet general expenditures within one year of the consolidated 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.

	2020	2019
Cash and cash equivalents	$ 30,244,336	$ 2,994,498
Investments	15,863,204	14,734,349
Accounts receivable and grants receivable	5,176,598	5,863,136
Promises to give	-	1,560,243
Accounts payable to subrecipients	(4,080,605)	(4,745,778)
Net assets with donor restrictions	(9,179,749)	(10,696,069)
Board-designated special projects fund	(955,370)	(955,370)
Financial assets available to meet cash needs for general expenditure within one year	$ 37,068,414	$ 8,755,009

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.

Note 3. Investments and Fair Value Measurements (Continued)

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 net asset value practical expedient. There were no Level 3 inputs for any assets or liabilities held by the Organization at December 31, 2020 and 2019.

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.

Investments recorded at cost include cash. 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, 2020 and 2019:

	2020			
	Total	Level 1	Level 2	Level 3
Investments, at fair value:				
Equity mutual funds	$ 2,741,380	$ 2,741,380	$ -	$ -
Corporate bonds	1,615,953	-	1,615,953	-
Fixed income mutual funds	1,023,692	1,023,692	-	-
U.S. government obligations	979,906	-	979,906	-
Municipal bonds	486,355	-	486,355	-
Money market funds	153,258	153,258	-	-
Investments carried at fair value	7,000,544	$ 3,918,330	$ 3,082,214	$ -
Investments, at cost:				
Cash	8,862,660			
Total investments	$ 15,863,204			

	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	-
Money market funds	33,860	33,860	-	-
Investments carried at fair value	6,310,147	$ 3,986,577	$ 2,323,570	$ -
Investments, at cost:				
Cash	8,424,202			
Total investments	$ 14,734,349			

Note 4. Employee Benefit Plans

Defined contribution: The Organization has a defined contribution 403(b) thrift plan which is available to all full-time employees who have completed six months of service. The plan contains provisions for employer matching and discretionary contributions for eligible participants. The Organization's contributions to the plan, excluding applicable forfeitures, totaled $473,587 and $1,009,580 for the years ended December 31, 2020 and 2019, respectively.

Note 5. Accounts Receivable

Accounts receivable consist of the following at December 31, 2020 and 2019:

	2020	2019
Membership dues	$ 1,264,093	$ 638,816
Services and supplies	33,450	146,857
GoodTrak	51,427	86,676
Member agreements*	115,917	63,410
Other receivables	110,178	57,806
Less allowance for doubtful accounts receivable	(496,356)	(199,640)
Net accounts receivable – GII	$ 1,078,709	$ 793,925

* 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 $109,000 and $57,000 at December 31, 2020 and 2019, respectively.

Note 6. Promises to Give

Unconditional promises to give consist of the following at December 31, 2020 and 2019:

	2020	2019
Amounts due in less than one year	$ -	$ 569,433
Amounts due in one to five years	-	1,247,866
	-	1,817,299
Less discount to net present value	-	(29,680)
Less allowance for doubtful promises to give	-	(227,376)
	$ -	$ 1,560,243

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. As of December 31, 2020, the unearned conditional grant commitments are estimated to be $22,712,000.

Note 8. Grants Receivable

Grants receivable consist of the following at December 31, 2020 and 2019:

	2020	2019
U.S. Department of Labor:		
Senior Community Service:		
Employment Program (SCSEP)	$ 3,516,645	$ 3,479,603
Reentry Employment Opportunities (LifeLaunch)	499,227	1,416,812
H-1B Job Training Grants (Careers in Technology)	74,007	152,306
U.S. Department of Agriculture:		
Food and Nutrition Services (SNAP)	8,010	-
Subtotal – federal grants receivable	4,097,889	5,048,721
Private grants:		
IHG Focus Group	-	20,490
	$ 4,097,889	$ 5,069,211

Note 9. Property and Equipment

Property and equipment consisted of the following at December 31, 2020 and 2019:

	2020	2019
Land	$ 1,500,000	$ 1,500,000
Building and improvements	8,425,777	8,425,777
Furniture and equipment	2,887,706	2,882,896
Software	5,091,327	8,116,975
Artwork	60,000	60,000
	17,964,810	20,985,648
Less accumulated depreciation and amortization	(12,068,927)	(13,737,423)
	$ 5,895,883	$ 7,248,225

Note 10. Debt Obligations

Paycheck Protection Program loan: In May 2020, the Organization received a $1,908,300 loan through the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The Organization has elected to account for the loan as a financial liability under ASC 470 until the time at which forgiveness is received. Under the terms of the agreement, monthly payments will continue until either the lending institution receives communication of loan forgiveness from the Small Business Administration (SBA) or May 2022, whichever is earlier. The loan bears interest at a fixed rate of 1% per annum. The loan and related accrued interest are forgivable after 24 weeks if the Organization uses the loan proceeds for eligible purposes as defined in the agreement. The unforgiven portion of the PPP loan is payable over two years, with a deferral of payments for the first six months. The loan is not secured by any property of the Organization.

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. The notes payable to the three private foundations were paid off in full during 2019.

Note 10. Debt Obligations (Continued)

Line of credit: During 2020, the Organization obtained access to a revolving line of credit. The line of credit allows maximum borrowings up to $2,000,000 and bears interest at a variable rate based upon the outstanding balance and estimated repayment period. During the year ended December 31, 2020, no amounts were drawn on the line of credit and no amounts were outstanding under the line of credit as of December 31, 2020. The line of credit expired on February 28, 2021.

Note 11. Net Assets

Net assets without donor restrictions consisted of the following at December 31, 2020 and 2019:

	2020	2019
Undesignated – general operations	$ 37,247,874	$ 12,799,127
Designated by the board for:		
International activities	955,370	955,370
	$ 38,203,244	$ 13,754,497

GII’s net assets with donor restrictions consisted of the following at December 31, 2020 and 2019:

	2020	2019
Specified purpose:		
Private foundation funds	$ 6,959,824	$ 7,029,672
Operations funds	116,942	1,723,004
International funds	13,163	13,163
Endowment:		
Endowment accumulated contributions*	1,555,611	1,462,962
Endowment accumulated earnings*	534,209	467,268
	$ 9,179,749	$ 10,696,069

* See discussion of endowments in Note 12.

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, 2020 and 2019:

	2020	2019
Private foundation funds	$ 9,133,735	$ 6,914,876
Operations funds	95,012	484,660
International funds	-	-
Endowment earnings	7,500	8,522
	$ 9,236,247	$ 7,408,058

Note 12. 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 Organization has interpreted the Commonwealth of Massachusetts law related to the 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.

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, 2020 and 2019.

Note 12. Endowments (Continued)

GII’s endowment funds consisted of the following at December 31, 2020 and 2019:

	2020		
	With Donor Restrictions		
	Accumulated Earnings	Accumulated Contributions	Total
Operations funds:			
Kenneth K. King Training Trust *	$ 120,068	$ 1,112,694	$ 1,232,762
Richard and Lois England*	26,014	194,586	220,600
Frank F. Flegal Education and Training	155,702	20,000	175,702
International funds:			
Gerald Clore Training	211,433	100,000	311,433
Barker Education	9,239	123,131	132,370
Sioux City	11,753	5,200	16,953
	$ 534,209	$ 1,555,611	$ 2,089,820

	2019		
	With Donor Restrictions		
	Accumulated Earnings	Accumulated Contributions	2019 Total
Operations funds:			
Kenneth K. King Training Trust *	$ 105,060	$ 1,047,879	$ 1,152,939
Richard and Lois England*	24,006	166,752	190,758
Frank F. Flegal Education and Training	131,959	20,000	151,959
International funds:			
Gerald Clore Training	186,477	100,000	286,477
Barker Education	9,314	123,131	132,445
Sioux City	10,452	5,200	15,652
	$ 467,268	$ 1,462,962	$ 1,930,230

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

Note 12. Endowments (Continued)

Changes in GII's endowment funds consisted of the following for the years ended 2020 and 2019:

	2020		
	With Donor Restrictions		
	Accumulated Earnings	Accumulated Contributions	2020 Total
Endowment funds, beginning	$ 467,268	$ 1,462,962	$ 1,930,230
Investment return, net	74,441	92,649	167,090
Appropriations	(7,500)	-	(7,500)
Endowment funds, ending	$ 534,209	$ 1,555,611	$ 2,089,820

	2019		
	With Donor Restrictions		
	Accumulated Earnings	Accumulated Contributions	2019 Total
Endowment funds, beginning	$ 378,957	$ 1,335,657	$ 1,714,614
Investment return, net	96,833	127,305	224,138
Appropriations	(8,522)	-	(8,522)
Endowment funds, ending	$ 467,268	$ 1,462,962	$ 1,930,230

Note 13. In-Kind Contributions

In-kind contributions to GII consisted of the following during the years ended December 31, 2020 and 2019:

	2020	2019
Public service announcements	$ -	$ 15,629,594
Professional services	150,000	97,966
	$ 150,000	$ 15,727,560

Note 14. 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, 2023. The LLC holds a security deposit from the tenant of $21,883, which was equal to the first month's rent. Rental revenue totaled $303,578 and $294,380 for the years ended December 31, 2020 and 2019, respectively. Future minimum cash basis rental receipts are expected to be as follows:

Note 14. Commitments and Contingencies (Continued)

Year Ending December 31,		
2021	$	291,132
2022		291,132
2023		298,416
	$	880,680

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 payables: The Organization makes conditional promises to give which are contingent upon the subrecipient meeting grant imposed barriers which include carrying out certain activities and incurring qualified expenditures stipulated by the grants. Thus, a payable related to these grants is only recognized as the subrecipient submits qualified grant-related expenditures to the Organization for reimbursement. As of December 31, 2020, conditional grant commitments to subrecipients are estimated to be $20,823,000.

Note 15. COVID-19

On January 30, 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. The coronavirus and actions taken to mitigate the spread of it have had, and may continue to have, an adverse impact on the economies and financial markets of many countries, including the United States of America.

It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the Organization. The extent of the impact of COVID-19 on the Organization’s operations and financial performance are uncertain and cannot be predicted. Management continues to monitor the impact of COVID-19 and will adjust operations accordingly.

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, 2020 and 2019:

	2020	2019
Expenditures to subrecipients	$ 23,302,096	$ 25,045,152
Expenditures used directly	1,526,277	1,422,224
	$ 24,828,373	$ 26,467,376

Goodwill Industries International, Inc. and Related Entities

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020

Federal Agency Assistance Listing Program Title	Assistance Listing Number	Contract Numbers	Total Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Labor:				
Senior Community Service Employment Program	17.235	Note 4	$ 20,597,428	$ 19,720,167
Reentry Employment Opportunities	17.270	Note 4	3,645,642	3,080,941
H-1B Job Training Grants	17.268	Note 4	577,293	500,988
Total U.S. Department of Labor			24,820,363	23,302,096
U.S. Department of Agriculture:				
SNAP Cluster:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	Note 4	8,010	-
Total Expenditures of Federal Awards			$ 24,828,373	$ 23,302,096

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, 2020. 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

Beginning in 2020, GII elected to use the 10% de minimis indirect cost rate, which is allowed in accordance with the Uniform Guidance. For grant agreements signed prior to this election, GII recorded all expenditures of federal awards using a direct cost methodology and therefore, did not record indirect costs for its federal award programs.

Note 4. Contract Numbers

Federal expenditures from federal agencies were included in awards under the following contracts for the year ended December 31, 2020:

U.S. Department of Labor:		
Senior Community Service:		
Employment Program (SCSEP):	17.235	
AD-33650-19-60-A24		$ 10,500,743
AD-35214-20-60-A24		10,096,685
		20,597,428
Reentry Employment Opportunities (LifeLaunch):	17.270	
YF-20196-19-60-A-24		1,081,004
PE-30788-17-60-A-24		833,355
PE-32132-18-60-A-24		1,535,332
YF-35054-20-60-A24		195,951
		3,645,642
H-1B Job Training Grants (Careers in Technology):	17.268	
HG-29347-16-60-A-24		577,293
U.S. Department of Agriculture:		
State Administrative Matching Grants for the		
Supplemental Nutrition Assistance Program (SNAP):	10.561	
SNAP-ETNP-20-MD		8,010
		$ 24,828,373

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 consolidated financial statements of Goodwill Industries International, Inc. and Related Entities (the Organization), which comprise the consolidated statement of financial position as of December 31, 2020, the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements), and have issued our report thereon dated April 28, 2021.

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) as a basis for designing 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 financial statements. 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.
April 28, 2021

RSM

RSM US LLP

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 the 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 the major federal program for the year ended December 31, 2020. GII's major federal program is 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 GII's major federal program 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 GII's major federal program. However, our audit does not provide a legal determination of GII's compliance.

Opinion on the 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 its major federal program for the year ended December 31, 2020.

Other Matters
The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2020-001. Our opinion on the major federal program is not modified with respect to this matter.

GII's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. GII's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, we did identify a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-001, which we consider to be a significant deficiency.

GII's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. GII's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.
April 28, 2021

Goodwill Industries International, Inc. and Related Entities

Schedule of Findings and Questioned Costs
Year Ended December 31, 2020

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?	_X_Yes ___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)?	_X_Yes __No

Identification of major program:

Assistance Listing Number(s)	Name of Federal Program or Cluster
17.235	U.S. Department of Labor Senior Community Service Employment Program (SCSEP)

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
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

Finding 2020-001: Reporting – Significant Deficiency/Compliance and Other Matters

Federal agency: U.S. Department of Labor

Program: Senior Community Service Employment Program (SCSEP)

Assistance Listing number: 17.235

Criteria: Costs incurred under federal programs must conform to any limitations or exclusions set forth under the Uniform Guidance or in the federal award (2 CFR 200.403(b). In addition, such costs must be adequately documented (2 CFR 200.403(g). Under the SCSEP program, costs are to be reported as either a component of a program function or administrative function. The SCSEP PY 2019 National Grantees Terms and Conditions (the Terms and Conditions) sets forth the definition of costs that are to be classified and reported as administrative. As noted in the Terms and Conditions, administrative costs are not to exceed 13.5% of the grant amount.

Condition: In December 2020, the Department of Labor (DOL) conducted an Enhanced Desk Monitoring Review of GII's SCSEP grant #AD-35214-20-60-A-24. The DOL did not agree with GII's interpretation of what costs should be reported as headquarters administrative cost. As a result, $118,231 of costs that were initially reported as headquarters administrative were reclassified to program.

Cause: GII had interpreted the definition to mean that essentially all of the GII grant costs it incurred (excluding subrecipient costs) should be categorized as headquarters administrative. Since there is a specific limit on the amount of administrative costs that can be incurred, GII felt that its interpretation was reasonable and conservative for purposes of grant reporting. GII also noted that the costs reported in this manner never exceeded the 13.5% maximum administrative cost. However, the DOL did not agree with this interpretation.

Effect: GII's ETA-9130 report for the period ended September 30, 2020 required adjustment. As required by the DOL, this adjustment was made as part of the December 31, 2020 ETA-9130 report.

Questioned costs: None

Repeat finding: No

Recommendation: We recommend that GII establish policies and procedures to ensure that costs are classified in accordance with the definitions of the Terms and Conditions as interpreted by the DOL.

Views of responsible officials: See corrective action plan.

Goodwill Industries International, Inc. and Related Entities

Summary Schedule of Prior Audit Findings
Year Ended December 31, 2020

There were no findings reported for the year ended December 31, 2019.

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Oversight Agency: U.S. Department of Labor

Goodwill Industries International, Inc. (GII) respectfully submits the following corrective action plan for the year ended December 31, 2020.

Audit Period: January 1, 2020 – December 31, 2020

Finding 2020-001: Reporting – Significant Deficiency

Corrective Action Plan:

Management concurs with this recommendation. GII has modified the functional cost reporting as required by the DOL as part of its December 31, 2020 ETA-9130 report. In addition, GII is updating its policies and procedures to ensure administrative and program costs are classified according to DOL Uniform Guidance (2 CFR 200.403 (b). Also, all pertinent staff will be trained on cost classification policies and procedures.

Person Responsible for Corrective Action:

Kim Tran
Chief Financial Officer

Implementation of the Correction Action Plan:

All corrective actions will be completed by June 30, 2021.