GOODWILL OF SILICON VALLEY, INC.
(A California Nonprofit Public Benefit Corporation)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

DECEMBER 31, 2014 AND 2013

GOODWILL OF SILICON VALLEY, INC.
(A California Nonprofit Public Benefit Corporation)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

Table of Contents

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Goodwill of Silicon Valley, Inc.
(A California Nonprofit Public Benefit Corporation)
San Jose, California

We have audited the accompanying consolidated financial statements of Goodwill of Silicon Valley, Inc. and related entity, GoodEx, Inc. (collectively, the Organization) which comprise the consolidated statement of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Board of Directors
Goodwill of Silicon Valley, Inc.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal and other governmental awards as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2015 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Petrinovich Pugh & Co, LLP

Petrinovich Pugh & Company, LLP

San Jose, California
March 16, 2015

SECTION I

CONSOLIDATED FINANCIAL STATEMENTS

GOODWILL OF SILICON VALLEY, INC.
(A California Nonprofit Public Benefit Corporation)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2014 AND 2013

	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,650,870	$ 3,235,043
Restricted cash	300,000	-
Investments, at market value	3,534,222	3,590,336
Accounts receivable, net	782,487	454,938
Grants receivable	1,169,671	653,351
Inventories	1,629,451	1,472,751
Prepaid expenses	257,437	195,761
Total current assets	9,324,138	9,602,180
Land, buildings and equipment, net	19,372,043	16,998,309
Other assets:		
Deposits	184,303	262,948
Collection of antique items	12,000	24,280
Total other assets	196,303	287,228
Total assets	$ 28,892,484	$ 26,887,717
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 660,871	$ 952,004
Intermediary funds payable	85,959	-
Accrued payroll and benefits	1,018,083	975,413
Other accrued liabilities	531,570	241,209
Current portion of line of credit	85,665	62,058
Current portion of notes payable	5,000	19,065
Current portion of capital lease obligations	78,185	73,577
Deferred rent	109,593	118,273
Total current liabilities	2,574,926	2,441,599
Long-term liabilities:		
Line of credit, net of current portion	1,535,899	2,028,272
Capital lease obligations, net of current portion	2,878	81,486
Accrued pension costs, net	2,032,347	1,612,515
Notes payable, net of current portion	-	4,932
Total long-term liabilities	3,571,124	3,727,205
Total liabilities	6,146,050	6,168,804
Net assets:		
Unrestricted net assets:		
Undesignated	21,395,237	19,309,791
Board designated	1,351,197	1,409,122
Total net assets	22,746,434	20,718,913
Total liabilities and net assets	$ 28,892,484	$ 26,887,717

See independent auditors' report and accompanying notes to the consolidated financial statements.

GOODWILL OF SILICON VALLEY, INC.
(A California Nonprofit Public Benefit Corporation)

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
Public support and revenue:		
Retail programs	$ 25,716,668	$ 25,603,307
Donated goods	7,936,062	8,760,447
Operations programs	5,935,215	5,950,862
Grants and contributions	3,024,881	1,848,772
E-commerce	2,836,352	2,280,456
Production programs	1,257,896	914,808
Rent income	428,491	304,483
Miscellaneous	248,655	296,427
Investment income	171,874	282,262
Vocational school fees	10,995	22,935
Total public support and revenue	47,567,089	46,264,759
Expenses:		
Program services:		
Retail programs	27,102,531	25,660,745
Cost assigned to donated goods sold	7,850,555	8,515,800
Production programs	1,835,838	1,339,379
Vocational school programs	4,216,313	3,268,439
Total program services	41,005,237	38,784,363
Supporting services:		
Management and general	3,902,955	3,968,250
Fundraising	59,349	87,529
Total supporting services	3,962,304	4,055,779
Total expenses	44,967,541	42,840,142
Change in net assets before pension plan investment gain and impairment	2,599,548	3,424,617
Pension-related changes other than net periodic benefit costs	(559,747)	510,448
Impairment loss on antique collection	(12,280)	(10,000)
Change in net assets	2,027,521	3,925,065
Net assets, beginning of year	20,718,913	16,793,848
Net assets, end of year	$ 22,746,434	$ 20,718,913

See independent auditors' report and accompanying notes to the consolidated financial statements.

GOODWILL OF SILICON VALLEY, INC.
(A California Nonprofit Public Benefit Corporation)

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2014

	Program Serivces					Supporting Services			
	Retail Programs	Cost Assigned to Donated Goods	Production Programs	Vocational School Programs	Total	Management and General	Fundraising	Total	Grand Total
Salaries and wages	$ 12,512,444	$ -	$ 1,044,441	$ 2,044,121	$ 15,601,006	$ 1,502,581	$ 39,875	$ 1,542,456	$ 17,143,462
Employee benefits	2,188,868	-	197,427	353,643	2,739,938	400,401	9,859	410,260	3,150,198
Payroll taxes	1,070,159	-	83,679	171,212	1,325,050	102,448	2,990	105,438	1,430,488
Total salaries and related expenses	15,771,471	-	1,325,547	2,568,976	19,665,994	2,005,430	52,724	2,058,154	21,724,148
Cost assigned to donated goods sold	-	7,850,555	-	-	7,850,555	-	-	-	7,850,555
Occupancy	5,044,863	-	148,940	136,847	5,330,650	349,148	-	349,148	5,679,798
Raw materials and supplies	2,529,043	-	88,937	412,247	3,030,227	42,355	-	42,355	3,072,582
Professional services	541,468	-	32,369	887,036	1,460,873	589,286	6,625	595,911	2,056,784
Postage and shipping	857,301	-	3,140	2,925	863,366	5,248	-	5,248	868,614
Transportation	605,449	-	71,154	1,759	678,362	3,546	-	3,546	681,908
Advertising and marketing	7,669	-	30,340	13,204	51,213	341,447	-	341,447	392,660
Conferences and meetings	86,612	-	6,321	108,631	201,564	147,850	-	147,850	349,414
Telephone	217,966	-	17,170	35,585	270,721	36,095	-	36,095	306,816
Dues and subscriptions	1,632	-	1,737	1,817	5,186	188,814	-	188,814	194,000
Interest	6,498	-	1,003	238	7,739	102,490	-	102,490	110,229
Total expenses before depreciation and amortization	25,669,972	7,850,555	1,726,658	4,169,265	39,416,450	3,811,709	59,349	3,871,058	43,287,508
Depreciation and amortization	1,432,559	-	109,180	47,048	1,588,787	91,246	-	91,246	1,680,033
	$ 27,102,531	$ 7,850,555	$ 1,835,838	$ 4,216,313	$ 41,005,237	$ 3,902,955	$ 59,349	$ 3,962,304	$ 44,967,541
Percentage of total	60.3%	17.5%	4.1%	9.4%	91.2%	8.7%	0.1%	8.8%	100.0%

See independent auditors' report and accompanying notes to the consolidated financial statements.

GOODWILL OF SILICON VALLEY, INC.
(A California Nonprofit Public Benefit Corporation)

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2013

	Program Serivces					Supporting Services			
	Retail Programs	Cost Assigned to Donated Goods	Production Programs	Vocational School Programs	Total	Management and General	Fundraising	Total	Grand Total
Salaries and wages	$ 12,351,964	$ -	$ 740,321	$ 1,621,374	$ 14,713,659	$ 1,467,316	$ 52,552	$ 1,519,868	$ 16,233,527
Employee benefits	2,017,811	-	179,247	235,787	2,432,845	472,516	8,619	481,135	2,913,980
Payroll taxes	1,073,417	-	62,603	141,218	1,277,238	90,595	5,062	95,657	1,372,895
Total salaries and related expenses	15,443,192	-	982,171	1,998,379	18,423,742	2,030,427	66,233	2,096,660	20,520,402
Cost assigned to donated goods sold	-	8,515,800	-	-	8,515,800	-	-	-	8,515,800
Occupancy	4,604,219	-	124,289	117,347	4,845,855	427,974	11	427,985	5,273,840
Raw materials and supplies	2,367,172	-	38,695	342,968	2,748,835	49,703	121	49,824	2,798,659
Professional services	485,566	-	30,505	640,519	1,156,590	528,434	21,131	549,565	1,706,155
Transportation	579,254	-	50,881	2,268	632,403	3,865	-	3,865	636,268
Postage and shipping	623,052	-	4,619	1,216	628,887	5,561	-	5,561	634,448
Printing and publications	1,574	-	12,386	18,173	32,133	338,673	-	338,673	370,806
Conferences and meetings	97,944	-	659	66,203	164,806	112,668	23	112,691	277,497
Telephone	189,244	-	11,124	28,803	229,171	38,635	4	38,639	267,810
Dues and subscriptions	874	-	1,536	2,315	4,725	186,313	-	186,313	191,038
Interest	11,960	-	2,039	327	14,326	132,517	-	132,517	146,843
Total expenses before depreciation and amortization	24,404,051	8,515,800	1,258,904	3,218,518	37,397,273	3,854,770	87,523	3,942,293	41,339,566
Depreciation and amortization	1,256,694	-	80,475	49,921	1,387,090	113,480	6	113,486	1,500,576
	$ 25,660,745	$ 8,515,800	$ 1,339,379	$ 3,268,439	$ 38,784,363	$ 3,968,250	$ 87,529	$ 4,055,779	$ 42,840,142
Percentage of total	59.9%	19.9%	3.1%	7.6%	90.5%	9.3%	0.2%	9.5%	100.0%

See independent auditors' report and accompanying notes to the consolidated financial statements.

GOODWILL OF SILICON VALLEY, INC.
(A California Nonprofit Public Benefit Corporation)

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
Cash flows from operating activities:		
Change in net assets	$ 2,027,521	$ 3,925,065
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	1,680,033	1,500,576
Change in donated inventories	27,336	(98,156)
Net realized and unrealized gains on investments	(40,725)	(233,251)
Impairment loss on antique clothing	12,280	10,000
(Increase) decrease in assets:		
Accounts receivable	(327,549)	375,066
Grants receivable	(516,320)	(245,756)
Purchased inventories	(184,036)	(132,980)
Prepaid expenses	(61,676)	38,796
Deposits	78,645	(29,224)
Increase (decrease) in liabilities:		
Accounts payable	(291,133)	274,950
Intermediary funds payable	85,959	-
Accrued payroll and benefits	42,670	35,448
Other accrued liabilities	290,361	94,195
Deferred rent	(8,680)	16,941
Accrued pension costs	419,832	(562,745)
Net cash provided by operating activities	3,234,518	4,968,925
Cash flows from investing activities:		
Purchases of land, buildings and equipment	(4,052,191)	(2,307,156)
Purchases of investments	(4,601,013)	(2,313,590)
Proceeds from sale of investments	4,396,276	167,756
Net cash used for investing activities	(4,256,928)	(4,452,990)
Cash flow from financing activities:		
Net draw downs / (principal payments) on line of credit	(468,766)	(616,081)
Principal payments on notes payable	(18,997)	(24,211)
Principal payments on capital lease obligations	(74,000)	(69,104)
Net cash (used for) provided by financing activities	(561,763)	(709,396)
Net (decrease) increase in cash and cash equivalents	(1,584,173)	(193,461)
Cash and cash equivalents, beginning of year	3,235,043	3,428,504
Cash and cash equivalents, end of year	$ 1,650,870	$ 3,235,043

See independent auditors' report and accompanying notes to the consolidated financial statements.

GOODWILL OF SILICON VALLEY, INC.
(A California Nonprofit Public Benefit Corporation)

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

Supplemental disclosures of cash flow information:

	2014	2013
Cash paid during the year for:		
Interest	$ 110,229	$ 146,843

Supplemental disclosures of noncash investing and financing activities:

During the years ended December 31, 2014 and 2013 the Organization disposed of fully depreciated property and equipment with a cost of $529,076 and $48,295, respectively.

During the years ended December 31, 2014 and 2013, the Organization transferred $302,589 and $336,391, respectively, from work in process to land, building and equipment.

See independent auditors' report and accompanying notes to the consolidated financial statements.

NOTE A - ORGANIZATION

Goodwill of Silicon Valley, Inc., formerly Goodwill Industries of Santa Clara County ("Goodwill" or the "Organization") is a California nonprofit public benefit corporation founded in 1926 and serves Santa Clara and San Benito Counties. The Organization's mission is to assist people to overcome their multiple or severe barriers to employment by providing a wide range of educational and vocational training along with employment placement support. Goodwill of Silicon Valley, Inc. is part of Goodwill Industries International, a federation of over 200 autonomous, community based Goodwill organizations worldwide. Taken together, they make up one of the largest social service organizations in the world, dedicated to serving their local communities.

NOTE B - PROGRAM SERVICES

Goodwill of Silicon Valley, Inc. has been built on the tradition of self-sufficiency - supporting their services to the communities with income generated from their business operations. In addition to the familiar stores and donation trailers, the Organization operates GoodSource, a contract service division. These operating divisions combined, provide the vast majority of the funding needed to support the educational and vocational trainings offered by the Organization's award-winning Institute for Career Development. The Organization provides employment for more than 500 individuals.

GoodEx Services, Inc. (GES) was organized in October 2009 for the purpose of plant-based shredding service for businesses and governments located in and around the Silicon Valley. This company is being closed down in February 2015.

Retail Programs - Perhaps the most familiar face of Goodwill, this division processes and sells donated used goods through 19 retail stores, provides employment opportunities and contributes the most to the financial needs to operate the training programs offered by the Institute for Career Development. Retail Programs employ approximately 400 individuals at 19 retail stores and 38 donation collection sites.

Production Programs - GoodSource: A reputable and reliable service provider for assembly and packaging services, the Contract Service division attracts a diverse client base ranging from small local businesses to well established Fortune 500 global companies. In addition to assembly and packaging services, GoodSource provides drop ship, turnkey warehousing and logistical solutions. In 2009 GoodSource entered into the mattress reclamation arena, benefiting the environment, creating jobs and contributing to the bottom line. With its keen customer focus, reliable service delivery and great flexibility, GoodSource has developed a loyal and long standing customer base and has become an "On Shore" alternative to keep jobs in the community, thus providing opportunities for people with multiple or severe barriers to employment.

E-Commerce Program - The program began in July 2013 for clients with Autism Spectrum Disorder (ASD) to provide both hard and soft skills that lead to meaningful employment.

NOTE B - PROGRAM SERVICES (CONTINUED)

Car Detailing - This social enterprise was launched in 2013 in an effort to create jobs that provide training and work experience for those reentering society after incarceration. The skills learned prepare the individual to compete in mainstream workforce.

Vocational School Programs - Institute for Career Development (ICD): A robust environment coupled with a variety of program offerings make the Institute for Career Development the training facility of choice. ICD offers training that prepares people for jobs in customer service, retail, warehousing, security, manufacturing, landscaping, and facilities maintenance.

The vocational school is a fully licensed private postsecondary school specializing in vocational training, on-the-job training, basic education, evaluation, and job placement for people with needs in a wide range of employment opportunities throughout the Bay Area. All courses taught are approved for the training of veterans under the Federal G.I. Bill and accredited by the Commission on Accreditation of Rehabilitation Facilities.

Employment Readiness Program - This program assists people with barriers to employment, specifically barriers related to living in poverty, to obtain paid work experience, computer skills training, job readiness training and the support of a Vocational Employment Counselor. The program is for a period of one year at which time the objective is to transition the participant into a better job.

ASSET's Youth Program - This program is designed to provide at-risk High School Students with support that enriches their lives through various activities, provides academic support through tutoring, after-school instruction and a safe and quiet place for independent study. Many of the students served by this program are able to earn their High School Diploma through obtaining credits that they would otherwise not have the ability to recover. These programs are currently held at five high schools Monday through Friday, 2:00pm to 6:00pm.

Homeless Veterans Reintegration Program - Services provided to this population include job skills training, life skills training, networking, group and individual counseling, connection to housing, food and transportation, ending the cycle of homelessness. These services result in outcomes that move people to self-sufficiency through the obtainment of employment, transportation and housing.

Wellness Center - The Center, located at Goodwill's main office, is directed by a Licensed Clinical Psychologist. The services provided include individual and group therapy for people with mild to severe mental illness and/or a history of substance abuse. These services are provided to low-income individuals that have no means to get this type of treatment.

Good-Health Program - This program provides independent living and job skills to young adults with severe developmental disabilities. Goodwill works with eight different high schools that serve special education students up to age 22. Services are provided on site at each of the eight schools. The participants learn skills that will allow them to live more independently than they would otherwise.

NOTE B - PROGRAM SERVICES (CONTINUED)

Parole Re-entry and Veterans Court Employment Programs - Goodwill works with the Santa Clara County Superior Court to support individuals that have a history of criminal activity and are ready to turn their lives around. Goodwill does this as a part of a larger team that provides holistic services. Goodwill's role is to provide vocational counseling, skills training, short-term subsidized employment and job search services leading to the obtainment of sustainable employment.

Supportive Services for Veterans and Their Families - In concert with the Veterans Administration, Goodwill provides support to families that are either at-risk of homelessness or to those that are currently homeless. Goodwill provides financial assistance, legal assistance, credit counseling and employment related services to equip the family to maintain housing and a sustainable income.

NOTE C - SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The financial statements of Goodwill have been prepared on the accrual basis of accounting. The consolidated financial statements include the accounts of the Organization and its related entity, GES (collectively, the Organization). All inter-company balances and transactions have been eliminated.

Basis of Presentation - The Organization follows standards of accounting and financial reporting for voluntary health and welfare organizations as prescribed by the American Institute of Certified Public Accountants. In accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 the Organization reports its financial position and operating activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization. Under this category, the Organization maintains an operating fund plus any net assets designated by the Board for specific purposes. The Organization has elected to report as an increase in unrestricted net assets any restricted support received in the current period for which the restrictions have been met in the current period.

Temporarily restricted net assets include those assets which are subject to donor purpose and/or time restriction and for which the applicable restriction was not met as of the year end of the current reporting period.

Permanently restricted net assets include those assets which are subject to a non-expiring donor restriction, such as endowments. There are currently no permanently restricted net assets.

NOTE C - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of support, revenue and expenses during the period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents - Cash and cash equivalents include highly liquid investments and investments with a maturity of three months or less.

Restricted cash - Restricted cash is a requirement of an agreement between the Organization and its workers compensation insurance broker. The agreement requires $300,000 be held in a separate bank account until the agreement expires on June 24, 2015 with the possibility for a one year extension.

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized and realized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Accounts, Grants Receivable and Allowance for Doubtful Accounts - Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts or grants receivable. Changes in the valuation allowance have not been material to the financial statements. The allowance for doubtful accounts balance as of December 31, 2014 and 2013 was $24,742 and $31,492, respectively.

Promises to Give - Unconditional promises to give are recognized as support in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

NOTE C - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories - Inventories, except for donated merchandise held for resale, are valued at the lower of cost (first-in, first-out) or market. Inventories cost of purchased goods include freight-in, assembly, and improvement costs, if any. Purchased inventories are valued based on physical counts, less an estimated allowance for obsolescence. The allowance for obsolescence as of December 31, 2014 and 2013 was approximately $60,000.

Goods donated to Goodwill are valued at their estimated fair market value and recognized as support in the statements of activities. Donated merchandise remaining in inventories at year end is also recorded at its estimated fair market value. The estimated fair market value of the donated merchandise inventories are estimated as the retail-selling price of the donated inventories, less any retail processing and selling costs incurred by Goodwill. Donated merchandise inventories are not valued on an item-by-item basis but rather based on overall estimate of inventory turns. Donated automobiles are valued at estimated fair market value on a specific identification basis.

Land, Buildings and Equipment - Land, buildings and equipment are recorded at cost or estimated fair value for donated items. Equipment purchases over $1,500 are capitalized. The cost of repairs and maintenance which do not improve or extend the lives of the respective assets are expensed in the period. Depreciation is computed on the straight-line method based on the following estimated useful lives:

Buildings	20 to 30 years
Building Improvements	Remaining Life of Building
Leasehold Improvements	Shorter of Useful Life or Lease Term
Equipment	3 to 10 years

Depreciation is charged to the activity benefiting from the use of the buildings or equipment.

Collection of Antique Items - Goodwill has a collection of antique women's apparel which was donated to the Organization. The collection is used in the Organization's fashion fundraising events. Goodwill maintains the collection at the Organization's headquarters where it ensures that it is protected and preserved. The Organization capitalizes its collections. Donated collection items are recorded at fair value on the date of accession. Losses on impairments of donated collection items, if any, are reflected in the statements of activities.

Intermediary Funds - Intermediary funds is related to a grant received from a donor established for the benefit of Teenforce, a not-for-profit organization that assist youth with job training and placement. Goodwill acts as an agent or intermediary for the funds and has little or no discretion in determining the use of such funds. Goodwill classifies the funds as a liability until the funds are disbursed to Teenforce. Goodwill maintains legal ownership of intermediary funds and as such continues to report the funds as assets of Goodwill. Goodwill receives an administration fee of 5% of the receipts administered. The balance in intermediary funds payable as of December 31, 2014 was $85,959.

NOTE C - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrued Vacation - Accrued vacation represents vacation earned, but not taken as of December 31, 2014 and 2013, and is included in "Accrued payroll and benefits" in the statements of financial position. The accrued vacation balance as of December 31, 2014 and 2013 was $416,531 and $386,176, respectively.

Deferred Rent - As of December 31, 2014, twelve retail stores and one attended donation station are leased under operating leases expiring on various dates through 2026. These operating leases generally have fluctuating payments over the life of the lease. Accordingly, Goodwill has recorded the lease expense on a straight-line basis and has recorded the excess of the straight-line expense over the amount paid as deferred rent.

Defined Benefit Pension Plan - The Organization accounts for its defined benefit pension plan in accordance with ASC 715-10. ASC 715-10 requires an employer to recognize the funded status of the benefit plan, measured as the difference between plan assets at fair value and the projected benefit obligation, in the statements of financial position. ASC 715-10 also requires the immediate recognition of the unrecognized actuarial gains and losses.

The Organization froze the defined benefit pension plan as of March 31, 2009 (see Note J).

Revenue Recognition - The Organization recognizes support and revenue on the accrual basis of accounting. Revenue from grants which have been classified as "exchange transactions" and program fees are recognized as revenue in the period in which the service is provided. Revenues from retail and e-commerce programs are recognized at the point of the sale. Revenue from production programs is recognized in the period in which the service is provided.

Contributions - Contributions are reported in accordance with ASC 958. Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the nature of donor restrictions and depending on whether the restrictions are met in the current fiscal period. Temporarily restricted contributions are reported as increases in unrestricted net assets if the restrictions have been met in the current fiscal period. If the restriction has not been met by fiscal year end, the amount is reported as an increase in temporarily restricted net assets. When the restriction is met on a contribution received in a prior fiscal period, the amount is shown as a reclassification of restricted net assets to unrestricted net assets.

Contributions In-Kind - Non-Inventory - Contributions in-kind - non-inventory are recognized in accordance with the provisions of ASC 958. Donated equipment and other donated goods are recorded at their estimated fair value as of the date of the donation. Contributed services, which require a specialized skill and which the Organization would have paid for if not donated, are recorded at the estimated fair value at the time the services are rendered. During the years ended December 31, 2014 and 2013, the Organization received free use of lots where attended donation stations are located. The Organization has valued the use of the lots at approximately $261,000 and $125,000, respectively. The contributions for the years ended December 31, 2014 and 2013 are recorded to rent revenue and rent expense.

NOTE C - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expense Allocation - Directly identifiable expenses are charged to program and supporting services. Expenses related to more than one function are charged to program and supporting services on the basis of salary expense, percentage of time spent on program by specific officer, headcount, revenue and/or square footage. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Advertising - The Organization's policy is to expense advertising costs as they are incurred. Advertising expense for the years ended December 31, 2014 and 2013 were approximately $388,000 and $285,000, respectively.

Income Taxes - Goodwill of Silicon Valley, Inc. and GoodEx Services Inc. are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and state income taxes under Section 23701(d) of the California Revenue Taxation Code. Accordingly, no provision for income taxes has been made in the accompanying statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code.

The Organization accounts for the requirements associated with uncertainty in income taxes using the provisions of FASB ASC 740-10-25 *Recognition of Income Taxes*. Accordingly, an entity shall initially recognize the financial statement effects of a tax position when it is more-likely-than not, based on the technical merits, that the position will be sustained upon examination. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of December 31, 2014, the Organization has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

The Club files income tax returns in the U.S. federal jurisdiction and the state of California. The Organization's federal income tax returns for the tax years 2011 and forward remain subject to examination by the Internal Revenue Service. The Organization's California income tax returns or the tax years 2010 and forward remain subject to examination by the Franchise Tax Board.

Concentrations of Credit Risk - Financial instruments that potentially subject the Organization to credit risk consist primarily of cash and cash equivalents and investments. The Organization maintains a majority of its cash in a business checking account and in bank deposit accounts that, at times, may exceed the federally insured limit of $250,000. The Organization has not experienced any losses in such accounts. Risk associated with cash is mitigated by maintaining deposits at credit worthy financial institutions. As of December 31, 2014 and 2013, the Organization had approximately $1,144,000 and $2,940,000, respectively, in deposits in excess of the federally insured limit.

NOTE C - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets - The Organization accounts for impairment of assets in accordance with FASB ASC 360-10, *Impairment or Disposal of Long-Lived Assets*. Under FASB ASC 360-10, the Organization reviews long-lived assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable based on the undiscounted future cash flows of the asset. If the carrying amount of the asset is determined not to be recoverable, a write-down to fair value is recorded.

In 2013, management determined that the collection of antique clothing had a fair market value below its carrying value, and recorded a $10,000 impairment loss. In 2014, the collection was further impaired to more accurately represent its fair market value. The Organization recorded a $12,280 impairment loss during the year ended December 31, 2014.

Subsequent Events - ASC 855-10, Subsequent Events, requires additional disclosure for events or transactions that occur after the balance sheet date. The Organization has no subsequent events as of March 12, 2015. The Organization has not evaluated subsequent events after this date in the statements presented.

NOTE D - INVESTMENTS

In 2013, the Board of Directors approved the transfer of excess cash from Goodwill's operating account to Enterprise Trust and Investment Company (ETIC), a California incorporated banking institution. Previously, the Organization used Silicon Valley Community Foundation (SVCF), a California nonprofit benefit corporation, to manage, hold in trust and invest certain assets of Goodwill, for public, educational and charitable purposes. The fund was known as the "The Goodwill Foundation Trust". In April, 2014, all board designated investments held in SVCF were transferred to ETIC.

ETIC follows the guidelines for professional management of the investment portfolio established and monitored by the Organization. The investment objectives of the board designated funds are to be actively managed with long-term and short-term investment objectives established by the Board, periodically reviewed, and not for operations. The use of Board designated funds is at the discression and approval of the Board of Directors.

NOTE D - INVESTMENTS (CONTINUED)

The market value of investments held in SVCF and ETIC consist of the following at December 31:

	2014	2013
Board designated investments:		
Fixed income	$ 581,970	$ 324,098
Domestic equities	275,374	704,561
Foreign equities	29,378	-
Private equity	-	211,368
Hedged equity and commodities	-	169,095
Total board designated investments	886,722	1,409,122
Undesignated investments:		
Fixed income	2,021,131	1,521,575
Domestic equities	558,887	584,023
Foreign equities	67,482	75,616
Total undesignated investments	2,647,500	2,181,214
	$ 3,534,222	$ 3,590,336

Board designated funds consist of the following at December 31:

	2014	2013
Investments	$ 886,722	$ 1,409,122
Cash and cash equivalents	464,475	-
	$ 1,351,197	$ 1,409,122

NOTE D - INVESTMENTS (CONTINUED)

Investments activity during the years ended December 31, 2014 and 2013 consisted of the following:

	2014	2013
Board designated investments, beginning of year	$ 1,409,122	$ 1,258,862
Investment return:		
Interest and dividend income	20,703	13,573
Realized and unrealized gains	2,280	191,647
Administrative and investment expenses	(10,116)	(19,960)
Net investment return	12,867	185,260
Appropriation of board designated investments for expenditures	-	(35,000)
Transfer to undesignated investments	(70,792)	-
Board designated investments, end of year	$ 1,351,197	$ 1,409,122
Undesignated investments, beginning of year	$ 2,181,214	$ -
Investment return:		
Interest and dividend income	110,445	35,438
Realized and unrealized gains	38,445	41,604
Administrative expenses	(23,902)	(12,530)
Net investment return	124,988	64,512
Transfers from operations	270,506	2,116,702
Transfer from board designated investments	70,792	-
Undesignated investments, end of year	$ 2,647,500	$ 2,181,214

NOTE E - INVENTORIES

Inventories as of December 31, consists of the following:

	2014	2013
Donated merchandise	$ 903,788	$ 931,124
Purchased merchandise	776,291	596,405
Donated automobiles	8,750	5,500
Allowance for obsolescence	(59,378)	(60,278)
	$ 1,629,451	$ 1,472,751

NOTE F - LAND, BUILDINGS AND EQUIPMENT

The cost and related accumulated depreciation and amortization of land, buildings and equipment as of December 31, consists of the following:

	2014	2013
Land and buildings	$ 25,832,657	$ 23,587,859
Leasehold improvements	2,944,183	2,215,190
Equipment	6,683,037	6,568,341
	35,459,877	32,371,390
Less: accumulated depreciation and amortization	(16,824,421)	(15,675,670)
	18,635,456	16,695,720
Work in process	736,587	302,589
	$ 19,372,043	$ 16,998,309

NOTE G - LINE OF CREDIT

The Organization entered into a $7,000,000 line of credit agreement with Heritage Bank of Commerce. The line of credit is secured by real property owned in San Jose, California and bears interest at a fixed rate of 5.15%. The availability of this line of credit is limited to the pay-off of one of the Organization's previous notes payable and to provide additional funds to improve various store locations including the Organization's headquarters and warehouse. As of December 31, 2014, the outstanding balance on the line of credit is $1,621,564. The initial 18 month draw down period ran between November 2011 and April 2013, and was extended 9 months through January 2014. During the draw down period, the Organization's monthly principal and interest payments were calculated each month based on the current principal outstanding using a 240 month amortization period. Beginning February 2014 a fixed monthly principal and interest payment of $13,957 was set using a 240 month amortization period. These monthly principal and interest payments will continue through October 2016 at which time all remaining unpaid principal and interest will be due. The line of credit also requires that the Organization comply with certain financial covenants all of which were met as of December 31, 2014 and 2013.

Future minimum principal payments are as follows:

Year ending December 31,	
2015	$ 85,665
2016	1,535,899
	$ 1,621,564

NOTE H - NOTE PAYABLE

The Organization has a note payable between GES and NISH Corporation. The loan is interest free and has a five-year term, with an initial down payment of $10,000 and quarterly payments of principal and imputed interest of $5,000 thereafter commencing September 30, 2010. The note is secured by inventories and equipment and matures March 2015.

NOTE I - COMMITMENTS AND CONTINGENCIES

Non-Cancelable Operating Lease Obligations - Goodwill leases twelve retail stores, one attended donation station, and certain equipment under non-cancelable operating lease agreements expiring on various dates through 2026. The leases for two of the retail stores contain an option to extend through 2026. The minimum future payments under non-cancelable operating lease obligations are as follows:

Year ending December 31,

2015	$ 2,479,417
2016	1,920,717
2017	1,371,283
2018	1,167,518
2019	636,120
Thereafter	4,409,914
	$ 11,984,969

Rent expense under the operating leases for the years ended December 31, and was approximately $2,360,000 and $2,302,000, respectively.

In addition, Goodwill subleases two of these locations and receives rental income related to the subleases. The net minimum future rental income expected to be received under these sublease agreements are as follows:

Year ending December 31,

2015	$ 94,329
2016	50,362
	$ 144,691

Rent income recognized under the subleases for the years ended December 31, and was approximately $155,000 and $154,000, respectively.

Capital Lease Obligations - During the year ended December 31, 2010, Goodwill acquired equipment under a capital lease obligation. The lease bears interest at 6.34% and matures in December 2015. In addition, during the year ended December 31, 2012, Goodwill acquired two copiers under capital lease obligations. The leases bear interest at 9.20% and 7.54% and mature in January 2016 and August 2017, respectively.

NOTE I - COMMITMENTS AND CONTINGENCIES (CONTINUED)

A summary of the future capital lease obligations at present value is as follows:

Year ending December 31,	
2015	$ 80,775
2016	2,166
2017	1,348
	84,289
Less amount representing interest	(3,226)
Present value of net minimum lease payments	81,063
Less current portion	(78,185)
	$ 2,878

As of December 31, land, buildings and equipment includes equipment purchased under capital leases with an original cost of $347,270 and $273,310 in accumulated depreciation.

Unemployment Benefits - Goodwill is self-insured for unemployment benefits given to former employees. Management has estimated the amount of benefits expected to be paid by Goodwill subsequent to December 31, , with respect to claims related to and prior years. The amount accrued for unemployment benefits at December 31, and was $47,597 and $44,745, respectively. These amounts are included in "Accrued payroll and benefits" in the accompanying statements of financial position.

NOTE J - RETIREMENT PLANS

Goodwill has a defined benefit pension plan, which provides benefits to salaried exempt and salaried nonexempt employees. The Organization froze the defined benefit pension plan as of March 31, 2009. In addition, the Organization maintains a 403(b) deferred savings plan whereby employees may defer pre-tax earnings up to the IRS established limits.

NOTE J - RETIREMENT PLANS (CONTINUED)

Defined Benefit Pension Plan - Benefits provided are based on years of service and final compensation as defined in the provisions of the Plan. Contributions are intended to provide benefits attributed to service to the date the plan was frozen. Plan assets consist primarily of equity securities, bonds and annuities, mutual funds and a money market fund.

The Organization accounts for its defined benefit pension plan in accordance with ASC 715-10. ASC 715-10 requires an employer to recognize the funded status of benefit plan, measured as the difference between plan assets at fair value and the projected benefit obligation, in the statements of financial position. ASC 715-10 also requires the immediate recognition of the unrecognized actuarial gains and losses. The Plan was amended as of March 31, 2009 to cease benefit accruals. The effect was to freeze benefit accruals at the January 1, 2009 level. This resulted in curtailment. Effective January 1, 2014, terminated participants with vested balances under $5,000 are paid out as soon as administratively feasible.

Based on an actuarial study, net pension cost as of December 31, included the following components:

	2014	2013
Interest cost	$ 194,157	$ 180,339
Expected return on assets	(185,174)	(167,714)
Net amortization and deferral	147,102	211,078
Net pension cost	$ 156,085	$ 223,703

These net pension costs are included in "Employee benefits" in the accompanying statements of functional expenses.

The unrecognized cumulative loss (gain) at December 31, was as follows:

	2014	2013
Actuarial (gain) loss on obligations	$ 618,550	$ (247,335)
Actuarial (gain) loss on plan assets	51,312	(88,721)
Actuarial (gain) loss	669,862	(336,056)
Unrecognized cumulative loss at January 1	1,569,271	2,079,719
Cumulative loss recognized in net pension cost	(110,115)	(174,392)
Unrecognized cumulative loss at December 31	$ 2,129,018	$ 1,569,271

NOTE J - RETIREMENT PLANS (CONTINUED)

Defined Benefit Pension Plan (continued) - Based on an actuarial study, pension plan obligations and funded status of the Plan as of December 31, were as follows:

Change in benefit obligation:	2014	2013
Projected benefit obligation at end of year	$ 4,505,940	$ 4,173,316

Change in plan assets (cash basis):	2014	2013
Fair value of plan assets at beginning of year	$ 2,560,801	$ 2,319,018
Actual return on plan assets (pension plan investment income)	162,646	281,305
Employer cash contributions	296,000	276,000
Benefits paid	(406,665)	(255,302)
Investment fees	(26,728)	(24,870)
Administration fees	(112,461)	(35,350)
Fair value of plan assets at end of year	2,473,593	2,560,801
Funded status	$ (2,032,347)	$ (1,612,515)

NOTE J - RETIREMENT PLANS (CONTINUED)

Defined Benefit Pension Plan (continued) - Amounts recognized in the statements of financial position at December 31, consist of the following:

	2014	2013
Accrued pension costs, net	$ 2,032,347	$ 1,612,515

Weighted average assumptions used to measure benefit obligations at December 31:

	2014	2013
Discount rate (pre-retirement/post retirement)	3.77%	4.63%
Expected annual rate of compensation increase	0%	0%
Expected annual rate of increase in compensation and benefit limits	0%	0%
Pre-retirement mortality	None	None
Post-retirement mortality	2014 Applicable	2013 Applicable

Weighted average assumptions used to determine net periodic pension cost at December 31:

	2014	2013
Discount rate (pre-retirement/post retirement)	4.63%	3.78%
Long-term expected rate of return on plan assets	7.00%	7.00%
Expected annual rate of compensation increase	0%	0%
Expected annual rate of increase in compensation and benefit limits	0%	0%
Post-retirement mortality	2014 Applicable	2013 Applicable

NOTE J - RETIREMENT PLANS (CONTINUED)

Defined Benefit Pension Plan (continued) - The Plan's assumed long-term rate of return of 7.0% is based primarily on the expected returns of asset classes weighted for asset allocation. In addition, historical rates of return on asset classes are compared with the Plan's historical yield. The Organization's investment goals state that plan assets are to be invested in a balanced portfolio that allows sustained growth without material losses.

In accordance with ASC 820-10 all of the following pension plan assets are classified as Level 1 investments (see Note K). The fair values of the Organization's pension plan assets at December 31 (cash basis), by asset category are as follows:

	2014	2013
Asset category:		
Cash and money market funds	$ 185,846	$ 130,927
Bonds and annuities	234,366	257,912
Pooled mutual funds	215,488	178,001
Stocks	939,882	1,140,574
Government securities	898,011	853,387
	$ 2,473,593	$ 2,560,801
Plan assets % allocation:		
Cash and money market funds	7.5%	5.1%
Bonds and annuities	9.5%	10.1%
Pooled mutual funds	8.7%	7.0%
Stocks	38.0%	44.5%
Government securities	36.3%	33.3%
	100.0%	100.0%

NOTE J - RETIREMENT PLANS (CONTINUED)

Defined Benefit Pension Plan (continued)

Estimated future benefit payments through 2024:

Year ending December 31,		
2015	$	226,094
2016		255,231
2017		261,489
2018		272,001
2019		192,392
2020-2024		1,495,078
	$	2,702,285

NOTE K - FAIR VALUE MEASUREMENTS

ASC 820-10, Fair Value Measurements and Disclosures, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820-10 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

NOTE K - FAIR VALUE MEASUREMENTS (CONTINUED)

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2014:

Investments: For investments categorized as level 1 – values are based on quoted prices for identical assets or liabilities in active markets. For investments categorized as level 2 – values are based on quoted prices in active markets of the underlying assets held by ETIC. For investments categorized as level 3 – values are based on valuations provided by ETIC for the underlying assets held by ETIC. ETIC's valuations are based on information provided by fund managers, external investment advisors, and other market factors to determine if the carrying value of these investments should be adjusted. Other factors may include, but are not limited to: estimates of liquidation value, prices of recent transactions in the same or similar funds, current performance, future expectations of the particular investment, and changes in market outlook and the financing environment. Independent appraisals of significant real estate held for investment, and not in limited partnerships, are conducted every three to five years, depending on the nature of the investment.

Antique collection of clothing: Valued based on management's research and consultation with historic clothing experts.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2014:

	Level 1	Level 2	Level 3	Total
Investments	$ 1,200,509	$ 2,333,713	$ -	$ 3,534,222
Antique collection	-	-	12,000	12,000

NOTE K - FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2013:

	Level 1	Level 2	Level 3	Total
Investments	$ 2,181,214	$ 1,034,296	$ 374,826	$ 3,590,336
Antique collection	-	-	24,280	24,280

The following tables set forth a summary of changes in the fair value of the Organization's level 3 assets and liabilities for the year ended December 31, 2014:

	Investments	Antique Collection
Balance, December 31, 2013	$ 374,826	$ 24,280
Impairment loss	-	(12,280)
Transfer to Level 1 and 2	(374,826)	-
Balance, December 31, 2014	$ -	$ 12,000

The following tables set forth a summary of changes in the fair value of the Organization's level 3 assets and liabilities for the year ended December 31, 2013:

	Investments	Antique Collection
Balance, December 31, 2012	$ 375,141	$ 34,280
Impairment loss	-	(10,000)
Net change in investments held by SVCF	(315)	-
Balance, December 31, 2013	$ 374,826	$ 24,280

NOTE L - RELATED PARTIES

A member of the board of directors has been identified as a 5% owner in Enterprise Trust and Investment Company, one of the investment firms responsible for handling the Organization's investments (see Note D) as well as the investments in the defined benefit pension plan (see Note J). To avoid conflicts of interest, the board member in question recuses himself from voting on any organizational matters pertaining to investment decisions.

SECTION II

SUPPLEMENTARY INFORMATION

GOODWILL OF SILICON VALLEY, INC.
(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF EXPENDITURES OF FEDERAL AND OTHER GOVERNMENTAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2014

	Federal CFDA Number	Pass-through Grantor's Number/ Grant Number	Grant Period/Period In Current Fiscal Year	Award Amount	Revenue	Expenditures	Type of Program
FEDERAL ASSISTANCE							
US Department of Labor							
Direct Porgram:							
Homeless Veterans Reintegration Project	17.805	HV-20690-10-60-5-7	7/1/12 - 6/30/13	$ 300,000	$ 3,313	$ 3,313	
Total US Department of Labor				300,000	3,313	3,313	Nonmajor
Emergency Food and Shelter Programs							
Direct Program:							
FEMA Funds	97.024	088000 -063	12/15/2013 - 3/31/14	16,766	12,150	12,150	
Total Emergency Food and Shelter Program				16,766	12,150	12,150	Nonmajor
US Department of Veterans Affairs							
Direct Program:							
Supportive Services for Veteran Families	64.033	14-CA-013	10/1/13 - 9/30/14	447,000	317,587	317,587	
Supportive Services for Veteran Families	64.033	12-CA-013	10/1/14 - 9/30/15	455,940	116,061	116,061	
Total US Department of Veterans Affairs				902,940	433,648	433,648	Major
US Department of Education							
21st Century Community Learning Centers:							
Pass Through:							
State of California Department of Education	84.287C	13-14535-V927-8A	7/1/13 - 12/31/14	750,000	497,378	497,378	
State of California Department of Education	84.287C	13-14535-V927-6A	7/1/13 - 12/31/14	249,730	78,068	78,068	
State of California Department of Education	84.287C	13-14535-V927-6B	7/1/13 - 12/31/14	187,924	32,127	32,127	
State of California Department of Education	84.287C	12-14604-V927-6B	7/1/12 - 12/31/13	19,870	905	905	
State of California Department of Education	84.287C	13-14604-V927-6B	7/1/13 - 12/31/14	19,870	19,870	19,870	
State of California Department of Education	84.287C	14-14535-V927-8A	7/1/14 - 12/31/15	750,000	151,471	151,471	
State of California Department of Education	84.287C	14-14535-V927-9A	7/1/14 - 12/31/15	250,000	126,772	126,772	
Total US Department of Education				2,227,394	906,591	906,591	Nonmajor
Corporation for National and Community Service							
Social Innovation Fund Program:							
Pass Through:							
Roberts Enterprise Development Fund (REDF)	94.019	01-GSV-01	4/1/13-12/31/14	348,433	281,768	281,768	
Total Corporation for National and Community Service				348,433	281,768	281,768	Nonmajor
Total federal assistance				3,795,533	1,637,470	1,637,470	
NON-FEDERAL ASSISTANCE							
City of San Jose - Recycling Diversion Support Services	N/A	N/A	7/1/13-6/30/14	249,323	33,150	33,150	
City of San Jose - Recycling Diversion Support Services	N/A	N/A	7/1/14-6/30/15	249,323	249,323	249,323	
County of Santa Clara - New Opportunity Work Program	N/A	N/A	8/13/13-6/30/14	303,459	167,719	167,719	
County of Santa Clara - New Opportunity Work Program	N/A	N/A	7/1/14-6/30/15	500,000	322,720	322,720	
County of Santa Clara - New Opportunity Work Program - CDCR	N/A	N/A	7/1/14-6/30/15	330,000	97,401	97,401	
County of Santa Clara - New Opportunity Work Program - PRC	N/A	N/A	6/1/14-10/15/14	235,334	135,203	135,203	
County of Santa Clara - New Opportunity Work Program - PRC	N/A	N/A	11/1/14-06/30/2015	382,327	124,528	124,528	
County of Santa Clara - Measure A funding	N/A	N/A	7/1/14-6/30/15	299,610	170,570	170,570	
Total non-federal assistance				2,549,376	1,300,614	1,300,614	
Total governmental assistance				$ 6,344,909	$ 2,938,084	$ 2,938,084	

See accompanying independent auditors' report and notes to schedule of expenditures of federal and other governmental awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND OTHER GOVERNMENTAL AWARDS

DECEMBER 31, 2014 AND 2013

NOTE A - BASIS OF PRESENTATION:

The accompanying Schedule of Expenditures of Federal and Other Governmental Awards includes the federal and other governmental grant activity of Goodwill of Silicon Valley, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SECTION III

COMPLIANCE REPORTS

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Goodwill of Silicon Valley, Inc.
(A California Nonprofit Public Benefit Corporation)
San Jose, California

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 of Silicon Valley, Inc. and related entity GoodEx, Inc. (collectively, the Organization), which comprise the consolidated statements of financial position as of December 31, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 16, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated 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 consolidated 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 the entity'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 consolidated financial statements are free from 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 consolidated 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*.

Board of Directors
Goodwill of Silicon Valley, Inc.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Petrinovich Pugh & Co, LLP

Petrinovich Pugh & Company, LLP

San Jose, California
March 16, 2015

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors
Goodwill of Silicon Valley, Inc.
(A California Nonprofit Public Benefit Corporation)
San Jose, California

Report on Compliance for Each Major Federal Program

We have audited Goodwill of Silicon Valley, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Goodwill of Silicon Valley, Inc.'s major federal programs for the year ended December 31, 2014. Goodwill of Silicon Valley, Inc.'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Goodwill of Silicon Valley, Inc.'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Goodwill of Silicon Valley, Inc.'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 Goodwill of Silicon Valley, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Goodwill of Silicon Valley, Inc. 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, 2014.

Report on Internal Control Over Compliance

Management of Goodwill of Silicon Valley, Inc. 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 Goodwill of Silicon Valley, Inc.'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 OMB Circular A-133, 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 Goodwill of Silicon Valley, Inc.'s internal control over compliance.

Board of Directors
Goodwill of Silicon Valley, Inc.

Report on Internal Control Over Compliance (Continued)

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the consolidated financial statements of Goodwill of Silicon Valley, Inc. as of and for the year ended December 31, 2014, and have issued our report thereon dated March 16, 2015, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Petrinovich Pugh & Co, LLP

Petrinovich Pugh & Company, LLP

San Jose, California
March 16, 2015

SECTION IV

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

GOODWILL OF SILICON VALLEY, INC.
(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2014

SUMMARY OF AUDIT RESULTS:

1. The auditors' report expresses an unqualified opinion on the consolidated financial statements of Goodwill of Silicon Valley, Inc.

2. No significant deficiencies relating to the audit of the consolidated financial statements are reported in the Independent Auditors' 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*.

3. No instances of noncompliance material to the consolidated financial statements of Goodwill of Silicon Valley, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133.

5. The auditors' report on compliance for the major federal award programs for Goodwill of Silicon Valley, Inc. expresses an unqualified opinion on all major federal programs.

6. There are no audit findings relating to major programs that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.

7. The program tested as a major program included: Supportive Services for Veteran Families – CFDA No. 64033. Grant No. 14-CA-013 and 12-CA-013.

8. The threshold used for distinguishing between Type A and B programs was $300,000.

9. Goodwill of Silicon Valley, Inc. qualified as a low-risk auditee.

FINDINGS - CONSOLIDATED FINANCIAL STATEMENTS AUDIT:

NONE

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT:

NONE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2014

There were no prior year findings from the previous audit reports requiring follow up during the year ended December 31, 2014.