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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

DECEMBER 31, 2018 AND 2017

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Goodwill of Silicon Valley and related entity, GoodEx, Inc. (collectively, the Organization) which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, 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 audits. We conducted our audits 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, 2018 and 2017, 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.

Report on Supplementary Information

Our audits were 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal Awards, 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 May 14, 2019 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 & Company, LLP

Petrinovich Pugh & Company, LLP

San Jose, California
May 14, 2019

SECTION I

CONSOLIDATED FINANCIAL STATEMENTS

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,512,091	$ 1,798,520
Investments, at market value	6,628,987	6,476,724
Accounts receivable, net	478,430	737,566
Grants receivable	977,633	622,253
Advances receivable - related party	190,000	50,000
Inventories, net	1,623,218	1,712,560
Prepaid expenses	471,091	581,008
Total current assets	12,881,450	11,978,631
Land, buildings and equipment, net	19,507,419	20,911,244
Other assets:		
Restricted cash	304,842	303,625
Deposits	84,380	113,930
Total other assets	389,222	417,555
Total assets	$ 32,778,091	$ 33,307,430
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 728,010	$ 1,183,702
Accrued payroll and benefits	1,606,250	1,450,979
Other accrued liabilities	771,645	824,723
Total current liabilities	3,105,905	3,459,404
Long-term liabilities:		
Accrued pension costs, net	1,250,055	1,320,023
Deferred rent	141,074	130,082
Total long-term liabilities	1,391,129	1,450,105
Total liabilities	4,497,034	4,909,509
Net assets without donor restrictions	28,281,057	28,397,921
Total liabilities and net assets	$ 32,778,091	$ 33,307,430

See accompanying notes and independent auditors' report

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

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Public support and revenue:		
Retail programs	$ 30,460,373	$ 29,656,055
Donated goods	5,074,290	5,624,164
Operations programs	5,062,148	4,043,322
E-commerce	4,558,762	4,581,445
Grants and contributions	4,399,181	4,083,112
Contract and business service programs	1,388,705	1,939,889
Rent income	353,289	364,375
Miscellaneous	143,274	244,816
Gain (loss) on sale of property and equipment	9,890	(2,798)
Investment (loss) income, net	(101,239)	246,901
Total public support and revenue	51,348,673	50,781,281
Expenses:		
Program services:		
Retail programs	36,205,530	34,069,792
Cost assigned to donated goods sold	5,328,060	5,813,660
Vocational school programs	5,005,685	5,137,236
Contract and business service programs	1,146,223	2,241,523
Total program services	47,685,498	47,262,211
Supporting services:		
Management and general	3,688,747	3,626,571
Fundraising	60,427	60,428
Total supporting services	3,749,174	3,686,999
Total expenses	51,434,672	50,949,210
Change in net assets before pension plan investment gain (loss)	(85,999)	(167,929)
Pension-related changes other than net periodic benefit costs	(30,865)	177,504
Change in net assets	(116,864)	9,575
Net assets, beginning of year	28,397,921	28,388,346
Net assets, end of year	$ 28,281,057	$ 28,397,921

See accompanying notes and independent auditors' report

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services					Supporting Services			
	Retail Programs	Cost Assigned to Donated Goods	Contract and Business Service Programs	Vocational School Programs	Total	Management and General	Fundraising	Total	Grand Total
Salaries and w ages	$ 18,949,951	$ -	$ 743,330	$ 2,733,820	$ 22,427,101	$ 1,828,001	$ 47,635	$ 1,875,636	$ 24,302,737
Employee benefits	1,547,561	-	92,345	204,793	1,844,699	275,319	9,767	285,086	2,129,785
Payroll taxes	1,333,480	-	51,191	187,599	1,572,270	97,515	3,025	100,540	1,672,810
Total salaries and related expenses	21,830,992	-	886,866	3,126,212	25,844,070	2,200,835	60,427	2,261,262	28,105,332
Cost assigned to donated goods sold	-	5,328,060	-	-	5,328,060	-	-	-	5,328,060
Occupancy	5,666,075	-	102,248	275,611	6,043,934	241,221	-	241,221	6,285,155
Raw materials and supplies	3,923,657	-	36,991	425,022	4,385,670	82,824	-	82,824	4,468,494
Professional services	830,368	-	8,302	1,006,365	1,845,035	336,175	-	336,175	2,181,210
Postage and shipping	817,750	-	451	237	818,438	3,185	-	3,185	821,623
Transportation	814,841	-	33,545	4,497	852,883	3,048	-	3,048	855,931
Advertising and marketing	14,084	-	-	3,013	17,097	370,876	-	370,876	387,973
Telephone	317,238	-	9,049	46,062	372,349	27,241	-	27,241	399,590
Conferences and meetings	59,069	-	2,341	62,259	123,669	122,797	-	122,797	246,466
Dues and subscriptions	103	-	20	375	498	226,234	-	226,234	226,732
Total expenses before depreciation and amortization	34,274,177	5,328,060	1,079,813	4,949,653	45,631,703	3,614,436	60,427	3,674,863	49,306,566
Depreciation and amortization	1,931,353	-	66,410	56,032	2,053,795	74,311	-	74,311	2,128,106
	$ 36,205,530	$ 5,328,060	$ 1,146,223	$ 5,005,685	$ 47,685,498	$ 3,688,747	$ 60,427	$ 3,749,174	$ 51,434,672
Percentage of total	70.4%	10.4%	2.2%	9.7%	92.7%	7.2%	0.1%	7.3%	100.0%

See accompanying notes and independent auditors' report

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services					Supporting Services			
	Retail Programs	Cost Assigned to Donated Goods	Contract and Business Service Programs	Vocational School Programs	Total	Management and General	Fundraising	Total	Grand Total
Salaries and w ages	$ 16,724,705	$ -	$ 1,410,454	$ 2,738,293	$ 20,873,452	$ 1,736,761	$ 51,022	$ 1,787,783	$ 22,661,235
Employee benefits	1,382,810	-	169,094	198,748	1,750,652	292,978	6,328	299,306	2,049,958
Payroll taxes	1,189,980	-	102,172	189,565	1,481,717	90,536	3,078	93,614	1,575,331
Total salaries and related expenses	19,297,495	-	1,681,720	3,126,606	24,105,821	2,120,275	60,428	2,180,703	26,286,524
Cost assigned to donated goods sold	-	5,813,660	-	-	5,813,660	-	-	-	5,813,660
Occupancy	5,795,859	-	212,760	255,201	6,263,820	229,657	-	229,657	6,493,477
Raw materials and supplies	3,636,012	-	114,461	293,612	4,044,085	103,051	-	103,051	4,147,136
Professional services	1,350,158	-	15,988	1,270,756	2,636,902	372,429	-	372,429	3,009,331
Postage and shipping	1,051,393	-	1,501	372	1,053,266	3,593	-	3,593	1,056,859
Transportation	712,632	-	83,864	3,642	800,138	3,194	-	3,194	803,332
Advertising and marketing	64,151	-	13,286	10,964	88,401	368,703	-	368,703	457,104
Telephone	263,292	-	13,878	32,626	309,796	19,877	-	19,877	329,673
Conferences and meetings	69,089	-	4,171	55,979	129,239	130,756	-	130,756	259,995
Dues and subscriptions	1,151	-	74	364	1,589	209,232	-	209,232	210,821
Interest	-	-	-	-	-	73	-	73	73
Total expenses before depreciation and amortization	32,241,232	5,813,660	2,141,703	5,050,122	45,246,717	3,560,840	60,428	3,621,268	48,867,985
Depreciation and amortization	1,828,560	-	99,820	87,114	2,015,494	65,731	-	65,731	2,081,225
	$ 34,069,792	$ 5,813,660	$ 2,241,523	$ 5,137,236	$ 47,262,211	$ 3,626,571	$ 60,428	$ 3,686,999	$ 50,949,210
Percentage of total	66.9%	11.4%	4.4%	10.1%	92.8%	7.1%	0.1%	7.2%	100.0%

See accompanying notes and independent auditors' report

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ (116,864)	$ 9,575
Adjustments to reconcile change in net assets to net cash, cash equivalents, and restricted cash provided by operating activities:		
Depreciation and amortization	2,128,106	2,081,225
(Gain) loss on the sale of property and equipment	(9,890)	2,798
Decrease in donated inventories	116,501	76,481
Net realized and unrealized loss (gain) on investments	284,071	(61,166)
In-kind contribution	(12,350)	-
(Increase) decrease in assets:		
Accounts receivable	259,136	61,788
Grants receivable	(355,380)	(31,673)
Advances receivable - related party	(140,000)	(50,000)
Purchased inventories	(27,159)	33,995
Prepaid expenses	109,917	(91,306)
Deposits	29,550	(20,653)
Increase (decrease) in liabilities:		
Accounts payable	(455,692)	401,088
Accrued payroll and benefits	155,271	77,079
Other accrued liabilities	(53,078)	166,616
Accrued pension costs	(69,968)	(447,487)
Deferred rent	10,992	12,239
Net cash provided by operating activities	1,853,163	2,220,599
Cash flows from investing activities:		
Purchases of property and equipment	(728,541)	(2,139,041)
Purchases of investments	(1,781,299)	(1,121,523)
Proceeds from sale of investments	1,344,965	775,379
Proceeds from sale of property and equipment	26,500	-
Net cash used for investing activities	(1,138,375)	(2,485,185)
Net increase (decrease) in cash, cash equivalents, and restricted cash	714,788	(264,586)
Cash, cash equivalents and restricted cash, beginning of year	2,102,145	2,366,731
Cash, cash equivalents and restricted cash, end of year	$ 2,816,933	$ 2,102,145

See accompanying notes and independent auditors' report

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Supplemental disclosures of cash flow information:

	2018	2017
Cash paid during the year for:		
Interest	$ -	$ 73

Supplemental disclosures of noncash investing and financing activities:

During the year ended December 31, 2018, the Organization received an in-kind contribution of property and equipment valued at $12,350.

During the year ended December 31, 2018, the Organization disposed of property and equipment with an original cost of $213,684 and accumulated depreciation of $197,074.

During the year ended December 31, 2017 the Organization disposed of property and equipment with an original cost of $43,956 and accumulated depreciation of $41,158.

During the years ended December 31, 2018 and 2017, the Organization transferred $33,370 and $730,803, respectively, from work in process to land, building and equipment.

NOTE A - ORGANIZATION

Goodwill of Silicon Valley, 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 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 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. The combined operating divisions provide most 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 800 individuals at any point in time.

GoodEx Services, Inc. (GES) was organized in October 2009 to be a plant-based shredding service for businesses and governments located in and around the Silicon Valley. GES was inactive for years ending December 31, 2018 and 2017.

Retail Programs: Perhaps the most familiar face of Goodwill, this division processes and sells donated used goods through 18 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 450 individuals at 18 retail stores and 40 donation collection sites. In addition, Goodwill has a home pick up service and provides weekend special donation events in collaboration with local organizations.

Contract and Business Service 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 the mattress reclamation arena, benefiting the environment, creating jobs and contributing to the bottom line. In 2018, GoodSource closed the recycling line but still provides a drop off service to collect mattresses from the public on behalf of the mattress recycling council. 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.

NOTE B - PROGRAM SERVICES (CONTINUED)

E-Commerce Program: The program provides employment opportunities and contributes to the training programs operated by mission services.

Vocational School Programs: Institute for Career Development (ICD): A robust environment coupled with a variety of program offerings make the ICD the training facility of choice. ICD offers training that prepares people for jobs in Information Communication Technology (A+ Certification), the Trades and, Retail/Hospitality.

Career Development 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.

New Opportunity Work Program (NOW): This program provides employment, workshops and cognitive therapy to individuals reentering the community from the criminal justice system. Goodwill is the primary provider of employment services for the County of Santa Clara's initiative to reduce recidivism strategy.

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. In 2018, the Asset's program served 11,000 students, many of the students served by this program can earn their High School Diploma through obtaining credits that they would otherwise not 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 Wellness 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.

Expandability: Programs specific for people with disabilities including; the Neurodiversity Pathways Program which prepares people on the spectrum for jobs in the Information Technology field, the CaPromise Program which works with high school students with disabilities and their families to support the transition from social security insurance to employment, the our Transitions Program which provides paid work experience and advocacy for students with disabilities when they exit from High School.

NOTE C - SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The consolidated financial statements 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 consolidated financial statements of Goodwill have been prepared in accordance with U.S. generally accepted accounting principles, which require Goodwill to report information regarding its financial position and activities according to the following net asset classifications:

> *Net assets without donor restrictions*: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of Goodwill's management and the Board of Directors. The Organization has elected to report as an increase in net assets without donor restrictions any restricted support received in the current period for which the restrictions have been met in the current period.

NOTE C - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued):

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Goodwill or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities. There are currently no net assets with donor restrictions.

Measure of Operations: The consolidated statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to Goodwill's ongoing programs, grants and contributions, and investment income. Nonoperating activities are limited to resources that generate return from pension plan investments and other activities considered to be of a more unusual or nonrecurring nature.

Use of Estimates: The preparation of consolidated 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 consolidated financial statements and the reported amounts of support, revenue and expenses during the period. Accordingly, actual results could differ from those estimates. The Organization’s estimates include allowance for doubtful accounts, inventory obsolescence reserves, useful life of property and equipment, leases, fair value of investments and financial instruments, accrued pension costs, donated assets and services, and allocation of expenses by function.

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. As of December 31, 2018, the Organization held the separate cash in a certificate of deposit with a maturity date of June 27, 2019. The bank account generates interest, causing the restricted cash balance to exceed the $300,000 minimum requirement.

NOTE C - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments: Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the consolidated 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 net assets without donor restriction 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. The allowance for doubtful accounts balance as of December 31, 2018 and 2017 was $118,348 and $123,477, 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.

Inventories: Inventories, except for donated merchandise held for resale, are valued at the lower of cost (first-in, first-out) or net realizable value. Purchased inventory includes 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, 2018 and 2017 was $35,541 and $48,231, respectively.

Goods donated to Goodwill are valued at their estimated fair market value and recognized as support in the consolidated 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.

NOTE C - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Land, Buildings and Equipment: Land, buildings and equipment are recorded at cost or estimated fair value for donated items. Equipment purchases over $2,000 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.

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. There was no impairment expense recorded for the years ending 2018 and 2017.

Accrued Vacation: Accrued vacation represents vacation earned, but not taken as of December 31, 2018 and 2017, and is included in "Accrued payroll and benefits" in the consolidated statements of financial position. The accrued vacation balance as of December 31, 2018 and 2017 was $621,593 and $614,022, respectively.

Deferred Rent: As of December 31, 2018, nine 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, *Retirement Benefits*. 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 consolidated 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 I).

NOTE C - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 with or without donor restrictions 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 net assets without donor restriction 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 net assets with donor restrictions. When the restriction is met on a contribution received in a prior fiscal period, the amount is shown as a reclassification of net assets with donor restrictions to net assets without donor restrictions.

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, 2018 and 2017, the Organization received free use of lots where attended donation stations are located. The Organization has valued the use of the lots at approximately $126,000 and $138,000, respectively. The contributions for the years ended December 31, 2018 and 2017 are recorded to rent revenue and rent expense. During the year ended December 31, 2018, the Organization received property and equipment valued at $12,350. The contribution for the year ended December 31, 2018 is recorded to property and equipment and donated goods.

Functional 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 based on 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, 2018 and 2017 were approximately $388,000 and $457,000, respectively. The advertising expense is included in advertising and marketing expenses within the consolidated statements of functional expenses.

NOTE C - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes: Goodwill of Silicon Valley 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, 2018, the Organization has no uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements.

Concentrations of Credit Risk: Financial instruments that potentially subject the Organization to credit risk consist primarily of cash and cash equivalents, accounts receivable, and investments. The Organization maintains most its cash in a business checking account and in bank deposit accounts that exceed the federally insured limits of up to $250,000. Management has not experienced any losses on these accounts.

The Organization extends credit to its customers and performs credit evaluations of all its customers. Historically, the Organization has not experienced significant losses related to receivables from individual customers or groups of customers in any geographic area or industry.

The Organization maintains a diversified portfolio of investments in marketable securities to mitigate risk associated with market fluctuations. The Organization has not experienced any losses in such account. Management believes that the Organization is not exposed to any significant credit risk related to investments.

Reclassification: Certain accounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform to the presentation of the current year consolidated financial statements.

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 May 14, 2019. The Organization has not evaluated subsequent events after this date in the consolidated financial statements presented.

NOTE C - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements Not Yet Implemented: In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. The standard's core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. This standard will be effective for the calendar year ending December 31, 2019. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the calendar year ending December 31, 2020. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses*. The standard requires a financial asset (including trade receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the statement of activities will reflect the measurement of credit losses for newly-recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. This standard will be effective for the calendar year ending December 31, 2021. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the consolidated financial statements.

NOTE D - INVESTMENTS

As of December 31, 2018 and 2017, the Organization holds all investments with Enterprise Trust and Investment Company (ETIC), a California incorporated banking institution. ETIC follows the guidelines for professional management of the investment portfolio established and monitored by the Organization.

NOTE D - INVESTMENTS (CONTINUED)

The market value of investments held with ETIC consist of the following at December 31:

	2018	2017
Fixed income	$ 5,138,789	$ 5,121,098
Domestic equities	1,272,159	1,168,630
Foreign equities	218,039	186,996
	$ 6,628,987	$ 6,476,724

Investments activity during the years ended December 31, 2018 and 2017 consisted of the following:

	2018	2017
Investments, beginning of year	$ 6,476,724	$ 6,069,414
Investment return:		
Interest and dividend income	227,677	230,351
Net realized and unrealized (loss) gain	(284,071)	61,166
Administrative expenses	(44,845)	(44,616)
Net investment (loss) return	(101,239)	246,901
Transfers from operations	253,502	160,409
Investments, end of year	$ 6,628,987	$ 6,476,724

NOTE E - AVAILABILITY AND LIQUIDITY

The Organization's goal is to maintain approximately $1,000,000 in current cash accounts to ensure funds available to cover large one-off payments such as biweekly payroll while maintaining liquidity to manage operations through the retail stores. As part of the Organization's liquidity plan, excess funds are invested in short and medium term investments including equities, money market and fixed income funds.

The following represents the Organization's financial assets that are available to meet general expenditures over the next twelve months at December 31,

	2018	2017
Cash and cash equivalents	$ 2,512,091	$ 1,798,520
Investments, at market value	6,628,987	6,476,724
Accounts receivable, net	478,430	737,566
Grants receivable	977,633	622,253
	$ 10,597,141	$ 9,635,063

NOTE F - INVENTORIES

Inventories as of December 31, consist of the following:

	2018	2017
Donated merchandise	$ 1,255,040	$ 1,190,190
Purchased merchandise	403,719	570,601
Allowance for obsolescence	(35,541)	(48,231)
	$ 1,623,218	$ 1,712,560

NOTE G - LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment as of December 31, consists of the following:

	2018	2017
Land and buildings	$ 28,772,552	$ 28,759,804
Equipment	9,567,951	9,234,037
Leasehold improvements	3,608,215	3,650,540
	41,948,718	41,644,381
Less: accumulated depreciation and amortization	(22,709,172)	(20,773,567)
	19,239,546	20,870,814
Construction in process	267,873	40,430
	$ 19,507,419	$ 20,911,244

NOTE H - COMMITMENTS AND CONTINGENCIES

Non-Cancelable Operating Lease Obligations: Goodwill leases thirteen 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,	
2019	$ 2,847,625
2020	2,319,187
2021	1,483,815
2022	1,339,647
2023	1,342,679
Thereafter	2,625,529
	$ 11,958,482

Rent expense under the operating leases for the years ended December 31, 2018 and 2017 was approximately $2,901,000 and $2,942,000, respectively.

NOTE H - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Non-Cancelable Operating Lease Obligations (continued): 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,		
2019	$	33,320
2020		28,572
	$	61,892

Rent income recognized under the subleases for the years ended December 31, 2018 and 2017 was approximately $228,000 and $194,000, respectively.

Unemployment Benefits: The Organization is self-insured for unemployment benefits given to former employees. Management has estimated the amount of benefits expected to be paid by the Organization after December 31, 2018, with respect to claims related to 2018 and prior years. The amount accrued for unemployment benefits at December 31, 2018 and 2017 was $58,356 and $45,652, respectively. These amounts are included in "Accrued payroll and benefits" in the accompanying statements of financial position.

NOTE I - RETIREMENT PLANS

The Organization 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.

Defined Benefit Pension Plan: Benefits provided by the defined benefit pension plan (the Plan) 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.

NOTE I - RETIREMENT PLANS (CONTINUED)

Defined Benefit Pension Plan (continued): 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 were paid out as soon as administratively feasible.

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

	2018	2017
Interest cost	$ 120,727	$ 155,665
Expected return on assets	(160,593)	(190,159)
Net amortization and deferral	259,033	268,168
Net pension cost	$ 219,167	$ 233,674

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

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

	2018	2017
Actuarial gain on obligations	$ (67,903)	$ (57,219)
Actuarial loss on plan assets	254,521	26,368
Actuarial loss (gain)	186,618	(30,851)
Unrecognized cumulative loss at January 1	1,620,345	2,469,150
Cumulative loss recognized in net pension cost	(155,753)	(164,548)
Unrecognized cumulative loss at December 31	$ 1,651,210	$ 2,273,751

NOTE I - 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:	2018	2017
Projected benefit obligation at end of year	$ 3,487,656	$ 3,735,609

Change in plan assets (cash basis):	2018	2017
Fair value of plan assets at beginning of year	$ 2,415,586	$ 2,587,546
Actual return on plan assets (pension plan investment income)	(68,206)	172,269
Employer cash contributions	320,000	503,657
Benefits paid	(277,144)	(626,046)
Investment fees	(25,722)	(26,373)
Administration fees	(126,913)	(195,467)
Fair value of plan assets at end of year	2,237,601	2,415,586
Funded status	$ (1,250,055)	$ (1,320,023)

Amounts recognized in the statements of financial position at December 31, consist of the following:

	2018	2017
Accrued pension costs, net	$ 1,250,055	$ 1,320,023

NOTE I - RETIREMENT PLANS (CONTINUED)

Defined Benefit Pension Plan (continued):

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

	2018	2017
Discount rate (pre-retirement/post retirement)	3.98%	3.28%
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	RP-2014 Healthy Annuitant with MP-2018 Generational Projection for Male and Female	RP-2014 Healthy Annuitant with MP-2017 Generational Projection for Male and Female

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

	2018	2017
Discount rate (pre-retirement/post retirement)	3.28%	3.62%
Long-term expected rate of return on plan assets	6.50%	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	RP-2014 Healthy Annuitant Bottom Quartile with MP-2017 Generational Projection for Male and Female	RP-2014 Healthy Annuitant Bottom Quartile with MP-2016 Generational Projection for Male and Female

NOTE I - 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 J). The fair values of the Organization's pension plan assets at December 31 (cash basis), by asset category are as follows:

	2018	2017
Asset category:		
Cash and money market funds	$ 88,854	$ 184,164
Bonds and annuities	120,179	237,000
Pooled mutual funds	625,952	619,533
Stocks	641,855	705,349
Government securities	760,761	669,540
	$ 2,237,601	$ 2,415,586

	2018	2017
Plan Asset % allocation:		
Cash and money market funds	4.0%	7.6%
Bonds and annuities	5.4%	9.8%
Pooled mutual funds	28.0%	25.6%
Stocks	28.7%	29.2%
Government securities	34.0%	27.7%
	100.0%	100.0%

NOTE I - RETIREMENT PLANS (CONTINUED)

Defined Benefit Pension Plan (continued):

Estimated future benefit payments through 2027:

Year ending December 31,	
2019	$ 773,983
2020	236,090
2021	381,207
2022	219,107
2023	190,791
2024-2027	1,000,528
	$ 2,801,706

NOTE J - 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 J - 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, 2018:

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.

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, 2018:

	Level 1	Level 2	Level 3	Total
Investments	$ 2,897,058	$ 3,731,929	$ -	$ 6,628,987

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2017:

	Level 1	Level 2	Level 3	Total
Investments	$ 2,759,972	$ 3,716,752	$ -	$ 6,476,724

NOTE K - RELATED PARTIES

A member of the board of directors has been identified as a minority owner not involved in management in Enterprise Trust and Investment Company; the investment firm responsible for handling the Organization's investments (see Note D) as well as the investments in the defined benefit pension plan (see Note I). To avoid conflicts of interest, the board member in question recuses himself from voting on any organizational matters pertaining to investment decisions regarding Enterprise Trust and Investment Company.

In October 2016, the Organization entered an affiliation agreement with Expandability, a nonprofit corporation that provides persons with disabilities access to adaptive technology and career transition services. In addition, two members of the Organization's management team are now members of Expandability's Board of Directors. The Organization and Expandability do not consolidate for financial reporting purposes.

The Organization provides facility and administrative support to Expandability under a management agreement. As of December 31, 2018 and 2017, the Organization has amounts due from Expandability totaling $23,484 and $88,042, respectively, related to costs incurred under the management agreement.

In November 2017, the Organization entered into a lending agreement that provides advances to Expandability of up to $200,000 with no interest charged and the balance due in one year. The entire principle balance was extended for an additional year from the original note making the due date November 2019. As of December 31, 2018 and 2017, the total amount outstanding with Expandability was $190,000 and $50,000, respectively.

SECTION II

SUPPLEMENTARY INFORMATION

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

SCHEDULE OF EXPENDITURES OF FEDERAL AND OTHER GOVERNMENTAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2018

	Federal CFDA Number	Pass-through Grantor's Number/ Grant Number	Grant Period/ Period In Current Fiscal Year	Award Amount	Revenue	Expenditure	Type of Program
FEDERAL ASSISTANCE							
US Department of Labor							
Direct Porgram:							
Training To Work 3 - Adult Reentry	17.270	PE-27382-15-60-A-6	07/01/15 - 09/30/19	$ 1,137,655	$ 270,873	$ 270,873	Major
Homeless Veterans Reintegration Project	17.805	HV-30658-17-60-5-6	07/01/17 - 06/30/18	300,000	124,308	124,308	Non Major
Homeless Veterans Reintegration Project	17.805	HV-32305-18-60-5-6	07/01/18 - 06/30/19	300,000	55,716	55,716	Non Major
Total US Department of Labor				1,737,655	450,897	450,897	
US Department of Veterans Affairs							
Direct Program:							
Supportive Services for Veteran Families	64.033	14-CA-013	10/01/17 - 9/30/2018	427,894	301,123	301,123	Major
Supportive Services for Veteran Families	64.033	14-CA-013	10/01/18 - 9/30/2019	436,245	87,307	87,307	Major
Total US Department of Veterans Affairs				864,139	388,430	388,430	
US Department of Education							
21st Century Community Learning Centers:							
Pass Through:							
State of California Department of Education	84.287C	13-14535-V927-8A	7/1/17 - 6/30/2018	750,000	418,500	418,500	Major
State of California Department of Education	84.287C	13-14535-V927-6A	7/1/17 - 6/30/2018	250,000	140,692	140,692	Major
State of California Department of Education	84.287C	43-14603-V927-1A	7/1/18 - 6/30/19	50,000	5,341	5,341	Major
State of California Department of Education	84.287C	43-14535-V927-9A	7/1/18 - 6/30/19	250,000	92,684	92,684	Major
State of California Department of Education	84.287C	43-14535-V927-9A	7/1/18 - 6/30/19	1,000,000	379,073	379,073	Major
Total US Department of Education				2,300,000	1,036,290	1,036,290	
US Department of Agriculture Food and Nutrition Service							
SNAP Employment & Training							
Pass Through:							
Santa Clara County Social Services	10.537	PO# 4300014822	2/1/2018 - 9/30/2018	291,137	16,882	16,882	Non Major
Santa Clara County Social Services	10.537	PO# 4300014822	10/1/2018-9/30/2019	814,811	35,986	35,986	Non Major
Total US Dept of Agriculture Food and Nutrition Service				1,105,948	52,868	52,868	
TOTAL FEDERAL ASSISTANCE				$ 6,007,742	$ 1,928,484	$ 1,928,484	

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

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND OTHER GOVERNMENTAL AWARDS

DECEMBER 31, 2018 AND 2017

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 and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal Awards. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements.

NOTE B - RELATIONSHIP TO FINANCIAL STATEMENTS

The amount reported in the accompanying Schedule of Expenditures of Federal and Other Governmental Awards agree, in all material respects, to amounts reported within the consolidated financial statements. Federal award revenue is reported principally in the Organization's consolidated financial statements as grants and contributions.

NOTE C - PASS-THROUGH ENTRITIES' IDENTIFYING NUMBER

When federal awards were received from a pass-through entity, the Schedule of Expenditures of Federal and Other Governmental Awards shows, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, the Organization determined that no identifying number is assigned for the program or the Organization was unable to obtain an identifying number from the pass-through entity.

NOTE D - INDIRECT COST RATE

The Organization elected not to use the 10% de minimis cost rate under Uniform Guidance 200.510(b)(5). Uniform Guidance 200.510(b)(5), requires the Organization to disclose if it elected to use the 10% de minimis cost rate that 200.414(f) allows for nonfederal entities that have never received a negotiated cost rate.

SECTION III

COMPLIANCE REPORTS

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
(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 and related entity GoodEx, Inc. (collectively, the Organization), which comprise the consolidated statements of financial position as of December 31, 2018, and 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, and have issued our report thereon dated May 14, 2019.

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 expressing our opinion on the consolidated financial statements, but not for 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 consolidated 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.

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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.*

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 & Company, LLP

Petrinovich Pugh & Company, LLP

San Jose, California
May 14, 2019

PP&CO
Our focus. Your freedom.
PETRINOVICH PUGH & CO LLP
Certified Public Accountants and Consultants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited Goodwill of Silicon Valley's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Goodwill of Silicon Valley's major federal programs for the year ended December 31, 2018. Goodwill of Silicon Valley'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's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and 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 Goodwill of Silicon Valley'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's compliance.

Opinion on Each Major Federal Program

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

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Report on Internal Control Over Compliance

Management of Goodwill of Silicon Valley 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'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 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 Goodwill of Silicon Valley's internal control over compliance.

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

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

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

Petrinovich Pugh & Company, LLP

Petrinovich Pugh & Company, LLP

San Jose, California
May 14, 2019

SECTION IV

SCHEDULES OF FINDINGS AND QUESTIONED COSTS

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2018

Section 1

Consolidated Financial Statements

1. Type of auditor's report issued:	Unmodified
2. Internal control over financial reporting:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	No
3. Noncompliance material to consolidated financial statements noted?	No

Federal Awards

1. Internal controls over major program:	
a. Material weaknesses identified?	No
2. Type of auditors' report issued on compliance for major programs:	Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of Major Federal Program

CFDA Number	*Name of Federal Program or Cluster*
17.270	Training to Work 3 – Adult Reentry
64.033	Supportive Services for Veteran Families
84.287C	21st Century Community Learning Centers

Dollar threshold used to distinguish between Type A and Type B Programs:	$750,000
Auditee qualified as a low-risk auditee under OMB Uniform Guidance?	Yes

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2018

Section 2

Findings – Consolidated Financial Statements Audit:

None

Section 3

Findings and Questioned Costs – Major Federal Award Programs Audit:

None

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2018

There were no prior year findings from the previous audit reports requiring follow up during the year ended December 31, 2018.