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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

DECEMBER 31, 2021 AND 2020

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

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Certified Public Accountants and Consultants

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Goodwill of Silicon Valley (a California corporation) and subsidiaries (collectively, the Organization) which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Goodwill of Silicon Valley and subsidiaries as of December 31, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with auditing standards generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 audits 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, 2022, 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
March 16, 2022

SECTION I

CONSOLIDATED FINANCIAL STATEMENTS

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 18,595,715	$ 12,773,629
Investments, at market value	17,554,208	5,718,272
Accounts receivable, net	1,265,013	1,113,127
Grants receivable	1,773,707	1,481,242
Inventories, net	1,576,074	1,448,671
Prepaid expenses	857,243	598,864
Total current assets	41,621,960	23,133,805
Property and equipment, net	17,124,135	18,143,975
Other assets:		
Restricted cash	149,924	184,293
Deposits	154,804	162,883
Total other assets	304,728	347,176
	$ 59,050,823	$ 41,624,956
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 731,277	$ 697,727
Accrued payroll and benefits	1,612,404	1,425,822
Grant payable	-	200,000
Other accrued liabilities	676,679	598,476
Deferred revenues	120,345	131,458
Deferred grant revenues	578,420	408,436
Total current liabilities	3,719,125	3,461,919
Long-term liabilities:		
PPP note payable	5,159,417	-
Accrued pension costs, net	1,213,154	1,506,668
Deferred rent	101,283	104,193
Total long-term liabilities	6,473,854	1,610,861
Total liabilities	10,192,979	5,072,780
Net assets without donor restrictions	48,857,844	36,552,176
	$ 59,050,823	$ 41,624,956

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, 2021 AND 2020

	2021	2020
Public support and revenue:		
Retail programs	$ 36,417,635	$ 23,434,805
Grants	8,199,227	8,163,602
Contributions	326,995	10,362,677
Donated goods	14,522,538	2,889,619
Operations programs	5,002,945	3,060,154
E-commerce	5,398,067	3,786,786
Contract and business service programs	1,372,169	1,162,819
Investment income, net	1,385,217	157,625
Rent income	291,117	224,726
Miscellaneous income	72,769	196,823
Loss on disposal of property and equipment	(3,981)	(12,850)
Total public support and revenue	72,984,698	53,426,786
Expenses:		
Program services:		
Retail programs	33,279,499	30,228,823
Cost assigned to donated goods sold	14,283,365	2,676,284
Workforce development and school programs	8,675,219	8,312,591
Contract and business service programs	1,001,052	942,528
Total program services	57,239,135	42,160,226
Supporting services:		
Management and general	3,545,418	2,872,512
Fundraising	79,825	65,123
Total supporting services	3,625,243	2,937,635
Total expenses	60,864,378	45,097,861
Change in net assets before pension plan investment gain	12,120,320	8,328,925
Pension-related changes other than net periodic benefit costs	185,348	(143,346)
Change in net assets	12,305,668	8,185,579
Net assets, beginning of year	36,552,176	28,366,597
Net assets, end of year	$ 48,857,844	$ 36,552,176

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, 2021

	Program Services					Supporting Services			
	Retail Programs	Cost Assigned to Donated Goods	Workforce Development and School Programs	Contract and Business Service Programs	Total	Management and General	Fundraising	Total	Grand Total
Salaries and wages	$ 16,728,743	$ -	$ 4,157,203	$ 673,725	$ 21,559,671	$ 1,483,487	$ 66,251	$ 1,549,738	$ 23,109,409
Employee benefits	1,201,068	-	221,638	69,074	1,491,780	213,303	9,578	222,881	1,714,661
Payroll taxes	1,185,443	-	296,070	49,263	1,530,776	74,477	3,996	78,473	1,609,249
Total salaries and related expenses	19,115,254	-	4,674,911	792,062	24,582,227	1,771,267	79,825	1,851,092	26,433,319
Cost assigned to donated goods sold	-	14,283,365	-	-	14,283,365	-	-	-	14,283,365
Occupancy	6,440,840	-	1,081,778	96,495	7,619,113	285,510	-	285,510	7,904,623
Raw materials and supplies	3,880,122	-	866,126	19,514	4,765,762	139,027	-	139,027	4,904,789
Professional services	159,171	-	1,917,677	2,211	2,079,059	715,704	-	715,704	2,794,763
Postage and shipping	853,042	-	119	45	853,206	3,096	-	3,096	856,302
Transportation	727,372	-	16,290	26,364	770,026	1,060	-	1,060	771,086
Telephone	253,896	-	49,161	4,788	307,845	20,442	-	20,442	328,287
Dues and subscriptions	652	-	3,046	18	3,716	224,532	-	224,532	228,248
Conferences and meetings	42,011	-	16,983	1,281	60,275	155,041	-	155,041	215,316
Advertising and marketing	15,467	-	3,337	-	18,804	188,890	-	188,890	207,694
Total expenses before depreciation and amortization	31,487,827	14,283,365	8,629,428	942,778	55,343,398	3,504,569	79,825	3,584,394	58,927,792
Depreciation and amortization	1,791,672	-	45,791	58,274	1,895,737	40,849	-	40,849	1,936,586
	$ 33,279,499	$ 14,283,365	$ 8,675,219	$ 1,001,052	$ 57,239,135	$ 3,545,418	$ 79,825	$ 3,625,243	$ 60,864,378
Percentage of total	54.7%	23.5%	14.3%	1.6%	94.0%	5.8%	0.1%	6.0%	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, 2020

	Program Services					Supporting Services			
	Retail Programs	Cost Assigned to Donated Goods	Workforce Development and School Programs	Contract and Business Service Programs	Total	Management and General	Fundraising	Total	Grand Total
Salaries and wages	$ 14,039,688	$ -	$ 3,994,561	$ 634,052	$ 18,668,301	$ 1,176,051	$ 51,337	$ 1,227,388	$ 19,895,689
Employee benefits	1,785,190	-	261,289	48,288	2,094,767	375,213	10,526	385,739	2,480,506
Payroll taxes	1,024,131	-	289,931	47,042	1,361,104	64,167	3,260	67,427	1,428,531
Total salaries and related expenses	16,849,009	-	4,545,781	729,382	22,124,172	1,615,431	65,123	1,680,554	23,804,726
Cost assigned to donated goods sold	-	2,676,284	-	-	2,676,284	-	-	-	2,676,284
Grant	-	-	200,000	-	200,000	-	-	-	200,000
Occupancy	5,983,231	-	745,330	89,010	6,817,571	154,480	-	154,480	6,972,051
Raw materials and supplies	3,386,331	-	974,386	21,941	4,382,658	87,689	-	87,689	4,470,347
Professional services	114,683	-	1,687,566	3,068	1,805,317	679,930	-	679,930	2,485,247
Postage and shipping	682,029	-	121	365	682,515	2,137	-	2,137	684,652
Transportation	650,978	-	9,589	24,676	685,243	252	-	252	685,495
Advertising and marketing	172,787	-	43,197	-	215,984	-	-	-	215,984
Telephone	346,362	-	36,989	8,840	392,191	32,838	-	32,838	425,029
Conferences and meetings	20,018	-	17,887	1,216	39,121	42,211	-	42,211	81,332
Dues and subscriptions	277	-	1,906	23	2,206	218,336	-	218,336	220,542
Total expenses before depreciation and amortization	28,205,705	2,676,284	8,262,752	878,521	40,023,262	2,833,304	65,123	2,898,427	42,921,689
Depreciation and amortization	2,023,118	-	49,839	64,007	2,136,964	39,208	-	39,208	2,176,172
	$ 30,228,823	$ 2,676,284	$ 8,312,591	$ 942,528	$ 42,160,226	$ 2,872,512	$ 65,123	$ 2,937,635	$ 45,097,861
Percentage of total	67.0%	5.9%	18.4%	2.1%	93.5%	6.4%	0.1%	6.5%	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, 2021 AND 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	$ 12,305,668	$ 8,185,579
Adjustments to reconcile change in net assets to net cash, cash equivalents, and restricted cash provided by operating activities:		
Allowance for doubtful accounts	(11,724)	(72,275)
Depreciation and amortization	1,936,586	2,176,172
Loss on disposal of property and equipment	3,981	12,850
(Increase) decrease in donated inventories	(19,556)	24,704
Net realized and unrealized (gain) loss on investments	(1,137,643)	26,358
In-kind contribution	-	(3,803)
(Increase) decrease in assets:		
Accounts receivable, net	(140,162)	(580,695)
Accounts receivable - related party	-	58,117
Grants receivable	(292,465)	(414,689)
Advances receivable - related party	-	190,000
Purchased inventories	(107,847)	58,429
Prepaid expenses	(258,379)	77,027
Deposits	8,079	2,747
Increase (decrease) in liabilities:		
Accounts payable	33,550	(117,310)
Accrued payroll and benefits	186,582	(418,571)
Grant payable	(200,000)	200,000
Other accrued liabilities	78,203	22,673
Deferred revenue	(11,113)	(15,370)
Deferred grant revenue	169,984	(996,408)
Accrued pension costs, net	(293,514)	89,147
Deferred rent	(2,910)	26,635
Net cash provided by operating activities	12,247,320	8,531,317
Cash flows from investing activities:		
Purchases of property and equipment	(920,727)	(1,220,811)
Purchases of investments	(11,433,663)	(3,488,628)
Proceeds from sale of investments	735,370	6,100,950
Net cash (used for) provided by investing activities	(11,619,020)	1,391,511
Cash flow from financing activities:		
Proceeds from PPP note payable	5,159,417	-
Net cash provided by financing activities	5,159,417	-
Net increase in cash, cash equivalents, and restricted cash	5,787,717	9,922,828
Cash, cash equivalents and restricted cash, beginning of year	12,957,922	3,035,094
Cash, cash equivalents and restricted cash, end of year	$ 18,745,639	$ 12,957,922

See accompanying notes and independent auditors' report

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

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

Supplemental disclosures of noncash investing and financing activities:

During the year ended December 31, 2021, the Organization disposed of land, buildings and equipment with an original cost of $7,705 and accumulated depreciation of $3,724 and recognized a loss on disposal of $3,981.

During the year ended December 31, 2020, the Organization disposed of land, buildings and equipment with an original cost of $48,589 and accumulated depreciation of $35,739 and recognized a loss on disposal of $12,850.

During the years ended December 31, 2020, the Organization received an in-kind contributions of equipment valued at $3,803.

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 the years ending December 31, 2021 and 2020.

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 440 individuals at 18 retail stores and 22 donation collection sites. In addition, Goodwill provides weekend special donation events in collaboration with local organizations. In 2020, due to COVID-19, GWSV temporarily closed the 19 attended donation sites and reduced headcount to 350 employees in retail stores. Of the 19 attended donations sites closed due to COVID-19 only 2 sites were reopened in 2021 due to viability/availability.

Contract and Business Service Programs: GoodSource: A reputable and reliable service provider for assembly and packaging services, the contract service division that 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. 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 to people with barriers for employment, primarily people with cognitive disability 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 training facility a popular choice. ICD offers training that prepares people for jobs in Information Communication Technology (A+ Certification), the Trades, Medical Assistant and the Finance Industry.

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 an Employment Specialist. The program is for a period 6 months 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 2021, the ASSET's program served 14,000 students, many of the students served by this program can earn their High School Diploma through obtaining credits that they would otherwise not recover. This program is 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)

Digital Inclusion Program: This program provides digital literacy training, internet access where they live and a laptop to households that do not have connectivity or the skills necessary to utilize the internet to better their lives.

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.

Due to COVID-19 the Organization followed state guidelines with operations suspended as of March 17, 2020. The Organization went through a major layoff on April 6, 2020 and suffered significant financial impact during the closure. When restrictions were eased, the Organization, following COVID guidelines, started reopening stores and restructured employees to reduce cost and increase efficiency. This reorganization not only reduced the loss suffered earlier in the year as reflected in the consolidated statement of financial position but also increased the ongoing financial viability of the organization.

Mission programs were also affected to different degrees by COVID in 2020, but even with COVID restrictions, the Organization's mission grew during 2020, utilizing technology, pivoting to online training courses and also a key participant in a City of San Jose COVID response program for San Jose residents. The program provided training, paid work experience and support for those affected by COVID to get back into the workforce. With the turnaround of the operations financials, the Organization invested further into the mission programs in 2021 to assist the community recover from the pandemic.

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 accounting principles generally accepted in the United States of America (U.S. GAAP), 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.
>
> *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, whereby 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.

NOTE C - SIGNIFICANT ACCOUNTING POLICIES

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 the 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. For the year ended December 31, 2020, the agreement required $150,000 be held in a separate bank account. For the year ended December 31, 2021, the agreement requires $30,000 be held in a separate bank account. The bank account generates interest, causing the restricted cash balance to exceed the minimum requirement. As of December 31, 2021, the Organization held the separate cash in a certificate of deposit with a maturity date of June 27, 2022.

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. For the years then ended December 31, 2021 and 2020, there were no restricted investments.

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, 2021 and 2020 was $11,724 and $72,275, 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. For the years then ended December 31, 2021 and 2020, there were no promises to give.

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 net realizable value. Purchased inventory includes freight-in, assembly, and improvement costs, if any. Purchased inventories are valued at the lower of cost (first-in, first-out) or net realizable value, less an estimated allowance for obsolescence. The allowance for obsolescence as of December 31, 2021 and 2020 was $55,802 and $41,832, respectively.

Goods donated to Goodwill are valued at their estimated net realizable value (NRV) and recognized as support in the consolidated statements of activities. Donated merchandise remaining in inventories at year end is also recorded at its estimated NRV. The Organization calculates the NRV of donated inventory based on the estimated sales value of goods, factoring in number of days inventory has been on hand, sell through less allowance for shrinkage. 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.

Property and Equipment: Property 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 2021 and 2020.

Accrued Vacation: Accrued vacation represents vacation earned, but not taken as of December 31, 2021 and 2020, and is included in "Accrued payroll and benefits" in the consolidated statements of financial position. The accrued vacation balance as of December 31, 2021 and 2020 was $648,816 and $242,401, respectively.

NOTE C - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Rent: As of December 31, 2021, nine retail stores and three attended donation stations are leased under operating leases expiring on various dates through 2026. These operating leases generally have fluctuating payments over the life of the leases. 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 J).

Revenue Recognition: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). The core principle of the guidance is that the Organization should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. In addition, the guidance requires the disclosure of the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The most significant aspects of the standard include the following:

- Topic 606 provides a five-step model for recognizing revenue from contracts with customers as follows:

    1. Identify the contract with the customer.
    2. Identify the performance obligations in the contract.
    3. Determine the transaction price.
    4. Allocate the transaction price to the performance obligations in the contract.
    5. Recognize revenue when or as the performance obligations are satisfied.

- Products and Services: The Organization's revenue is derived from retail sales, operational revenue, e-commerce sales and contract service revenue. The operations of the Organization are substantially affected by economic conditions and can be impacted by customer preferences and disposable income levels.

NOTE C - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (continued):

- Performance Obligations: Topic 606 provides that revenues are to be recognized when the control of promised goods or services are transferred to a customer in satisfaction of all related performance obligations, in an amount that reflects the consideration expected to be received for those goods or services. The Organization identifies all performance obligations associated with its revenues and generally satisfies its performance obligations at a point in time (i.e. the time the merchandise is sold or when the services are rendered).

- Retail and E-commerce Sales: Retail and e-commerce sales are recognized as revenue at the point in time when the services have been provided or when the merchandise has been sold, which is when the Organization's performance obligation is satisfied.

- Contract Service Revenue: The Organization has multiple contracts for various services. Packaging and shipping revenues are recognized at the point in time when the packaging and shipping services are rendered, which is when the Organization's performance obligation is satisfied.

- Transaction Price: The Organization's prices are based upon a fixed transaction price, which is the amount the Organization expects to collect for the agreed upon period or for the transferring of goods from a sale or service to the customer. Revenue is recorded based on the fixed transaction price.

- Payment Terms: Payment terms for majority of goods and services are typically due at the point of sale. Certain goods and services are due within 30 days. In instances where the timing of revenue recognition differs from the timing of the right to invoice, the Organization has determined that a significant financing component does not exist. The Organization has elected a permitted practical expedient which allows the Organization to not recognize a significant financing component if the time between the transfer of a good or service and payment are one year or less.

- Return Policy: The Organization only allows the return of certain e-commerce and retail merchandise. The Organization does not deem the recording of variable consideration on these retail sales necessary as merchandise returns have not historically had a significant impact on the Organization's retail sales.

- Taxes: The Organization collects and remits sales at the point of sale for e-commerce retail transactions and reports such amounts under the net method on the statements of activities. As a result, these taxes are not included in gross revenue. The Organization is an exempt organization under Section 501(c)(3) of the Internal Revenue Code and state income taxes under Section 23701(d) of the California Revenue Taxation Code, as such the Organization does not collect sales taxes on the sale of retail goods.

NOTE C - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Rental Revenue: Rental revenue is derived from the leasing real property and equipment owned by the Company. Rental revenue falls under Accounting Standards Codification (ASC) 840, *Leases*, and is recognized monthly ratably based on the lease agreement.

Grants and Mission Service Revenue: Revenue from grants and mission services are reported in accordance with ASC 958, *Not-for-Profit Entities*. In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Under ASU 2018-08, grants and mission services are recognized as "contributions" instead of "exchange transactions". Grants and mission service revenue receive a condition from the granting body and are recognized as revenue in the period in which the condition is provided, which is when the Organization's performance obligation is satisfied. The Organization had deferred grant revenues of $578,420 and $408,436 for the years ended December 31, 2021 and 2020, respectively.

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. Contributions with restrictions 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. The Organization received a special contribution of $10,000,000 without restrictions in fiscal year 2020. The special contribution was used to increase investment to increase returns to be used for programs.

Contributions In-kind: Contributions in-kind are recognized in accordance with the provisions of ASC 958. Donated goods are recorded at their net realizable value. Donated equipment is recorded at its 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, 2021 and 2020, the Organization received free use of lots where attended donation stations are located. In addition, the Organization received in-kind rent related to leased stores and a storage facility as of part of COVID-19. The Organization has valued the use of the lots and in-kind rent at approximately $203,460 and $239,000, respectively. The contributions for the years ended December 31, 2021 and 2020 are recorded to rent revenue and rent expense. During the year ended December 31, 2021 and 2020, the Organization received contributed equipment valued at zero and $3,803, respectively.

NOTE C - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2021 and 2020 were approximately $208,000 and $216,000, respectively. The advertising expense is included in advertising and marketing expenses within the consolidated statements of functional expenses.

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, 2021, 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 accounts. Management believes that the Organization is not exposed to any significant credit risk related to investments.

NOTE C - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications: Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentations.

Recent Accounting Pronouncements Not Yet Implemented: 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, 2022. 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, 2023. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the 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 had no material subsequent events as of March 16, 2022, which is the date the financial statements were available to be issued. The Organization has not evaluated subsequent events after this date in the consolidated financial statements presented.

NOTE D - INVESTMENTS

As of December 31, 2021 and 2020, 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 as of December 31, consist of the following:

	2021	2020
Fixed income	$ 3,638,862	$ 2,874,221
Domestic equities	13,713,606	2,786,611
Foreign equities	201,740	57,440
	$ 17,554,208	$ 5,718,272

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

	2021	2020
Investments, beginning of year	$ 5,718,272	$ 8,356,952
Investment return:		
Interest and dividend income	326,797	224,697
Net realized and unrealized gain (loss)	1,137,643	(26,358)
Administrative expenses	(79,223)	(40,714)
Net investment return	1,385,217	157,625
Transfers from (to) operations	10,450,719	(2,796,305)
Investments, end of year	$ 17,554,208	$ 5,718,272

NOTE E - AVAILABILITY AND LIQUIDITY

The Organization’s goal is to maintain approximately $10,000,000 in current cash accounts to ensure funds available to cover large one-off payments, 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.

NOTE E - AVAILABILITY AND LIQUIDITY (CONTINUED)

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

	2021	2020
Cash and cash equivalents	$ 18,595,715	$ 12,773,629
Investments, at market value	17,554,208	5,718,272
Accounts receivable, net	1,265,013	1,113,127
Grants receivable	1,773,707	1,481,242
	$ 39,188,643	$ 21,086,270

NOTE F - INVENTORIES

Inventories as of December 31, consist of the following:

	2021	2020
Donated merchandise	$ 1,215,034	$ 1,181,508
Purchased merchandise	416,842	308,995
Allowance for obsolescence	(55,802)	(41,832)
	$ 1,576,074	$ 1,448,671

NOTE G - PROPERTY AND EQUIPMENT

Property and equipment as of December 31, consists of the following:

	2021	2020
Land and buildings	$ 29,194,879	$ 29,189,316
Equipment	12,500,406	11,518,904
Leasehold improvements	4,072,342	4,069,067
	45,767,627	44,777,287
Less: accumulated depreciation and amortization	(28,794,560)	(26,861,700)
	16,973,067	17,915,587
Construction in process	151,068	228,388
	$ 17,124,135	$ 18,143,975

NOTE H - PPP NOTE PAYABLE

In April 2021, the Organization obtained a Paycheck Protection Program (PPP) note payable for $5,159,417 with Heritage Bank of Commerce. The PPP note payable matures 2 years from the date of disbursement and bears interest at a fixed 1% per annum. The PPP note payable does not require payment for the first 6 months from the disbursement date, but continues to accrue interest during the deferment period. The PPP note payable contains provisions for full or partial loan forgiveness based on the recipient’s use of the note payable proceeds and other criteria. The Organization has applied for full note payable forgiveness based on the use of the note payable proceeds and is anticipating to confirm during fiscal year 2022.

NOTE I - LEASES

Non-Cancelable Operating Lease Obligations: Goodwill leases nine retail stores, three attended donation stations, one storage facility and certain equipment under non-cancelable operating lease agreements expiring on various dates through 2026. The minimum future payments under non-cancelable operating lease obligations are as follows:

Year ending December 31,		
2022	$	2,578,990
2023		2,601,559
2024		2,385,352
2025		1,996,835
Thereafter		718,275
	$	10,281,011

Rent expense under the operating leases for the years ended December 31, 2021 and 2020 was approximately $3,262,000 and $3,171,000, respectively.

Subleases: Goodwill subleases one of these locations and receives rental income related to the lease. The sublease expires in the year ended December 31, 2024. Rental income expected to be received from non-cancelable operating lease are as follows:

Year ending December 31,		
2022	$	36,943
2023		38,235
2024		39,574
	$	114,752

Rent income recognized under the sublease for the years ended December 31, 2021 and 2020 was approximately $291,000 and $225,000, respectively.

NOTE J - RETIREMENT PLANS AND EMPLOYEE BENEFITS

Defined Benefit Pension Plan: 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. 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.

NOTE J - RETIREMENT PLANS AND EMPLOYEE BENEFITS (CONTINUED)

The Organization accounts for its defined benefit pension plan (the 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 consolidated 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:

	2021	2020
Interest cost	$ 81,485	$ 111,986
Expected return on assets	(175,419)	(164,608)
Net amortization and deferral	265,768	248,423
Net pension cost	$ 171,834	$ 195,801

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

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

	2021	2020
Actuarial loss on obligations	$ 6,427	$ 400,724
Actuarial gain on plan assets	(179,176)	(111,845)
Actuarial loss	(172,749)	288,879
Unrecognized cumulative loss at January 1	2,089,401	1,946,055
Cumulative loss recognized in net pension cost	(163,788)	(145,533)
Unrecognized cumulative loss at December 31	$ 1,752,864	$ 2,089,401

NOTE J - RETIREMENT PLANS AND EMPLOYEE BENEFITS (CONTINUED)

Defined Benefit Pension Plan (continued): Based on a professional actuarial study, pension plan obligations and accrued pension costs of the Plan as of December 31, were as follows:

Change in benefit obligation:	2021	2020
Projected benefit obligation at end of year	$ 4,086,953	$ 4,153,260
Fair value of plan assets at beginning of year	2,646,592	2,505,897
Actual return on plan assets (pension plan investment income)	381,829	301,725
Employer cash contributions	280,000	250,000
Benefits paid	(281,447)	(252,643)
Investment fees	(27,234)	(25,272)
Administration fees	(165,941)	(133,115)
Fair value of plan assets at end of year	2,833,799	2,646,592
Funded status	$ (1,253,154)	$ (1,506,668)

Weighted average assumptions used to measure benefit obligations at December 31:	2021	2020
Discount rate (pre-retirement/post retirement)	2.47%	1.98%
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	Pri-2012 Total Non-Disabled Annuitant for Male and Female, projected by Generational scale MP-2021	Pri-2012 Total Non-Disabled Annuitant for Male and Female, projected by Generational scale MP-2020

NOTE J - RETIREMENT PLANS AND EMPLOYEE BENEFITS (CONTINUED)

Defined Benefit Pension Plan (continued):

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

	2021	2020
Discount rate (pre-retirement/post retirement)	1.98%	2.89%
Long-term expected rate of return on plan assets	6.50%	6.50%
Expected annual rate of compensation increase	0%	0%
Expected annual rate of increase in compensation and benefit limits	0%	0%
Post-retirement mortality	Pri-2012 Total Non-Disabled Annuitant for Male and Female, projected by Generational scale MP-2021	RP-2014 Healthy Annuitant with MP-2019 Generational Projection for Male and Female

The Plan assets consist primarily of equity securities, bonds and annuities, mutual funds and a money market fund. 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.

NOTE J - RETIREMENT PLANS AND EMPLOYEE BENEFITS (CONTINUED)

Defined Benefit Pension Plan (continued):

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:

	2021	2020
Asset category:		
Cash and money market funds	$ 758,069	$ 239,318
Bonds and annuities	50,468	52,031
Pooled mutual funds	763,979	849,410
Stocks	747,252	939,740
Government securities	514,031	566,093
	$ 2,833,799	$ 2,646,592

	2021	2020
Plan Asset % allocation:		
Cash and money market funds	26.8%	9.0%
Bonds and annuities	1.8%	2.0%
Pooled mutual funds	27.0%	32.1%
Stocks	26.4%	35.5%
Government securities	18.1%	21.4%
	100.0%	100.0%

Estimated future benefit payments through 2030:

Year ending December 31,	
2022	$ 1,066,057
2023	261,074
2024	225,268
2025	589,868
2026	144,072
2027-2030	930,200
	$ 3,216,539

NOTE J - RETIREMENT PLANS AND EMPLOYEE BENEFITS (CONTINUED)

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, 2021, with respect to claims related to 2021 and prior years. The amount accrued for unemployment benefits at December 31, 2021 and 2020 was $53,652 and $261,519, respectively. These amounts are included in "Accrued payroll and benefits" in the accompanying consolidated statements of financial position.

403(b) – Deferred Savings Plan: The Organization has a 403(b) deferred savings plan (the 403(b) Plan) covering all employees over 21 years old who have completed three months or more of service. The Organization provides a matching contribution to the 403(b) Plan at its discretion. Under the 403(b) Plan, employees may elect to defer a portion of their salary, subject to the Internal Revenue Service limits ($19,500 for 2021 and 2020). The Organization made matching contributions to the 403(b) Plan totaling $171,834 and $195,801 for the years ended December 31, 2021 and 2020, respectively.

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, 2021:

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, 2021:

	Level 1	Level 2	Level 3	Total
Investments	$ 15,163,970	2,390,238	$ -	$ 17,554,208

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2020:

	Level 1	Level 2	Level 3	Total
Investments	$ 3,263,268	$ 2,455,004	$ -	$ 5,718,272

NOTE L - RELATED PARTIES

Enterprise Trust and Investment Company: 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 J). 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.

Expandability: 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. In 2019, the Organization voted to integrate Expandability programs into the Goodwill of Silicon Valley's programs. In the year ended December 31, 2021, Expandability was fully integrated into Goodwill of Silicon Valley.

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 principal balance was extended for an additional year from the original note making the due date November 2020. The loan was repaid in full as of December 31, 2020.

NOTE M – COVID-19 PANDEMIC

As a result of the COVID-19 pandemic beginning in March of 2020, the Organization's operations were negatively impacted. During 2020, there was significant impacts to operations with store closures and employee layoffs. By the end the of 2020 and throughout 2021, the Organization's stores were open, related employees were rehired, and other programs were operational. However, there may be continued economic uncertainties which could negatively impact the Organization, and that the potential impact is unknown at this time.

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, 2021

	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 Program:							
Homeless Veterans Reintegration Project	17.805	HV-33335-19-60-5-6	07/01/19 - 12/31/2020	$ 300,000	$ 5,124	$ 5,124	Non Major
Homeless Veterans Reintegration Project	17.805	HV-33335-19-60-5-6	07/01/20 - 06/30/2021	300,000	94,277	94,277	Non Major
Total US Department of Labor				600,000	99,401	99,401	
US Department of Veterans Affairs							
Direct Program:							
Supportive Services for Veteran Families	64.033	12-CA-013	10/01/20 - 12/31/2021	922,035	790,961	790,961	Non Major
Supportive Services for Veteran Families	64.033	12-CA-013SS	9/1/21 - 9/30/2023	263,559	-	-	Non Major
Supportive Services for Veteran Families	64.033	12-CA-013	10/01/21 - 9/30/2022	476,447	-	-	Non Major
Total US Department of Veterans Affairs				1,662,041	790,961	790,961	
US Department of Education							
21st Century Community Learning Centers:							
Pass Through:							
State of California Department of Education	84.287C	43-14603-V927-1A	07/1/20 - 06/30/2021	50,000	1,356	1,356	Major
State of California Department of Education	84.287C	43-14603-V927-2A	07/1/20 - 06/30/2021	25,000	12,461	12,461	Major
State of California Department of Education	84.287C	43-14535-V927-1A	07/1/20 - 06/30/2021	1,000,000	594,501	594,501	Major
State of California Department of Education	84.287C	43-14535-V927-2A	07/1/20 - 06/30/2021	1,000,000	632,984	632,984	Major
State of California Department of Education	84.287C	43-14603-V927-1A	07/1/21 - 06/30/2022	50,000	8,835	8,835	Major
State of California Department of Education	84.287C	43-14603-V927-2A	07/1/21 - 06/30/2022	25,000	-	-	Major
State of California Department of Education	84.287C	43-14535-V927-1A	07/1/21 - 06/30/2022	1,000,000	415,344	415,344	Major
State of California Department of Education	84.287C	43-14535-V927-2A	07/1/21 - 06/30/2022	1,000,000	462,206	462,206	Major
Total US Department of Education				4,150,000	2,127,687	2,127,687	
US Department of Agriculture Food and Nutrition Service							
SNAP Employment & Training							
Pass Through:							
Santa Clara County Social Services	10.537	PO# 4300014822	10/1/20 - 9/30/2021	375,000	232,170	232,170	Non Major
Santa Clara County Social Services	10.537	PO# 4300014822	10/1/21 - 9/30/2022	810,790	153,969	153,969	Non Major
Total US Dept of Agriculture Food and Nutrition Service				1,185,790	386,139	386,139	
US Department of the Treasury							
Coronavirus Relief Fund							
Pass Through:							
City of San Jose - Office of Economic Development	21.019	666133-000	08/24/20 - 12/30/2020	1,279,700	141,395	141,395	Non Major
American Rescue Plan Act (ARPA)							
Pass Through:							
City of San Jose - Office of Economic Development	21.027	1860962	7/26/21 - 6/30/2022	113,450	56,725	56,725	Non Major
Total US Department of the Treasury				1,393,150	198,120	198,120	
				$ 8,990,981	$ 3,602,308	$ 3,602,308	

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, 2021 AND 2020

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 amounts 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 ENTITIES' 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

PP&CO
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PETRINOVICH PUGH & CO LLP
Certified Public Accountants and Consultants

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, 2021, 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 March 16, 2022.

Report on 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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Report on 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
March 16, 2022

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE 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

Opinion on Each Major Federal Program

We have audited Goodwill of Silicon Valley's compliance with the types of compliance requirements identified as subject to audit 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, 2021. Goodwill of Silicon Valley's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit in compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standard applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirement of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Goodwill of Silicon Valley and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Goodwill of Silicon Valley's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Goodwill of Silicon Valley's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objective are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Goodwill of Silicon Valley's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if these is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about Goodwill of Silicon Valley's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgement and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Goodwill of Silicon Valley's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Goodwill of Silicon Valley's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Goodwill of Silicon Valley's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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.

Report on Internal Control Over Compliance (Continued)

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the consolidated financial statements of Goodwill of Silicon Valley as of and for the year ended December 31, 2021, and have issued our report thereon dated March 16, 2022, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purposes of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards if presented for purposes of additional analysis as required by the Uniform Guidance 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 the 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 & Company, LLP

Petrinovich Pugh & Company, LLP

San Jose, California
March 16, 2022

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, 2021

Section 1 – Summary of Auditors' Results

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
b. Significant deficiencies identified not considered to be material weaknesses?	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 Programs

CFDA Number	*Name of Federal Program or Cluster*
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, 2021

Section 2 - Consolidated Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with Government Auditing Standards

Section 3 - Findings and Questioned Costs – Major Federal Programs:

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2021

There were no prior year findings from the previous audit reports requiring follow up during the year ended December 31, 2021.