Goodwill Industries of Greater New York and Northern New Jersey, Inc. and Affiliate

Consolidated Financial Statements (Together with Independent Auditors' Report)

Years Ended June 30, 2019 and 2018

MARKS PANETH

ACCOUNTANTS & ADVISORS

GOODWILL INDUSTRIES OF GREATER NEW YORK AND NORTHERN NEW JERSEY, INC. AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED JUNE 30, 2019 AND 2018

CONTENTS

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MARKS PANETH
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Goodwill Industries of Greater New York and
Northern New Jersey, Inc. and Affiliate

We have audited the accompanying consolidated financial statements of Goodwill Industries of Greater New York and Northern New Jersey, Inc. and Affiliate (collectively, "Goodwill"), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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 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 generally accepted in the United States of America. 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 consolidated financial position of Goodwill Industries of Greater New York and Northern New Jersey, Inc. and Affiliate as of June 30, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2N to the consolidated financial statements, during the year ended June 30, 2019, Goodwill adopted Accounting Standards Update ("ASU") 2016-14, "Not-for-Profit Entities." Our opinion is not modified with respect to this matter.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements of Goodwill Industries of Greater New York and Northern New Jersey, Inc. and Affiliate as a whole. The consolidating information (shown on pages 21-22) is presented for the purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual companies 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 consolidating 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 consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Marks Paneth LLP

New York, NY
November 25, 2019

GOODWILL INDUSTRIES OF GREATER NEW YORK AND NORTHERN NEW JERSEY, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2019 AND 2018

	2019	Restated 2018
ASSETS		
Cash and cash equivalents (Notes 2E and 16)	$ 1,684,260	$ 1,270,830
Accounts receivable, net (Notes 2G and 5)	10,961,318	11,067,437
Pledges receivable (Note 2G)	39,208	-
Inventory (Note 2H)	4,053,514	3,999,638
Prepaid expenses, deferred charges and other	1,888,041	1,048,618
Assets held for sale (Note 6)	5,487,817	1,405,032
Investments (Notes 2F, 2L, 7, 10, and 13)	23,070,907	23,236,643
Mortgage escrow deposits	118,052	117,753
Reserve for replacements (Notes 2F, 4 and 7)	471,072	552,517
Security deposits held by lessors	809,081	807,109
Tenant security deposits held (Note 2E)	94,525	101,159
Property and equipment, net (Notes 2D and 6)	4,008,604	10,047,109
TOTAL ASSETS	$ 52,686,399	$ 53,653,845
LIABILITIES		
Accounts payable and accrued expenses (Note 17)	$ 11,352,553	$ 12,092,588
Payroll taxes payable	1,072,071	1,241,832
Accrued salaries	1,143,103	991,357
Accrued vacation	1,276,381	1,271,163
Accrued mortgage interest	183,387	163,544
Deferred revenue/due to funding sources (Note 8)	4,444,254	3,613,400
Deferred rent (Note 2M)	2,199,042	2,093,491
Mortgages payable (Note 9)	887,297	1,186,147
Line of credit payable (Note 10)	2,000,000	2,700,000
Capital lease payable (Note 18)	1,623,639	111,336
Loan payable (Note 11)	216,121	553,746
Tenant security deposits payable	94,525	101,159
TOTAL LIABILITIES	26,492,373	26,119,763
COMMITMENTS AND CONTINGENCIES (Note 15)		
NET ASSETS (Note 2C)		
Without donor restrictions:		
Operating	3,237,741	4,772,150
Board designated for endowment (Note 13)	22,114,948	21,878,095
Total without donor restrictions	25,352,689	26,650,245
With donor restrictions (Notes 12 and 13)	841,337	883,837
TOTAL NET ASSETS	26,194,026	27,534,082
TOTAL LIABILITIES AND NET ASSETS	$ 52,686,399	$ 53,653,845

The accompanying notes are an integral part of these consolidated financial statements.

GOODWILL INDUSTRIES OF GREATER NEW YORK AND NORTHERN NEW JERSEY, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	For the Year Ended June 30, 2019			For the Year Ended June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total 2019	Without Donor Restrictions	With Donor Restrictions	Restated Total 2018
OPERATING REVENUES:						
Public Support:						
Contributions (Note 2H)	$ 664,761	$ -	$ 664,761	$ 572,545	$ 42,500	$ 615,045
Bequests and legacies (Note 2I)	401,150	-	401,150	-	-	-
Contributed revenue - donated goods (Note 2H)	48,642,141	-	48,642,141	47,995,632	-	47,995,632
Net assets released from restrictions (Note 12)	42,500	(42,500)	-	42,500	(42,500)	-
Total Public Support	49,750,552	(42,500)	49,708,052	48,610,677	-	48,610,677
Governmental Support:						
Fees and grants from governmental agencies	23,484,269	-	23,484,269	24,428,485	-	24,428,485
Total Governmental Support	23,484,269	-	23,484,269	24,428,485	-	24,428,485
Other Revenue:						
Industrial operations	43,134,857	-	43,134,857	42,829,827	-	42,829,827
Tenant rent	1,649,459	-	1,649,459	1,799,131	-	1,799,131
Gain on sale of property and equipment (Note 6)	3,047,035	-	3,047,035	-	-	-
Endowment earnings appropriations (Note 7)	1,010,685	-	1,010,685	886,995	-	886,995
Other	302,066	-	302,066	230,330	-	230,330
Total Other Revenue	49,144,102	-	49,144,102	45,746,283	-	45,746,283
TOTAL OPERATING REVENUES	122,378,923	(42,500)	122,336,423	118,785,445	-	118,785,445
OPERATING EXPENSES: (Note 2J)						
Industrial operations	83,179,406	-	83,179,406	84,401,434	-	84,401,434
Rehabilitation and employment services	25,854,438	-	25,854,438	22,690,327	-	22,690,327
Management and administration	11,008,565	-	11,008,565	15,754,098	-	15,754,098
Other supporting services	305,521	-	305,521	189,537	-	189,537
Fundraising	465,655	-	465,655	382,898	-	382,898
Residential operations of affiliate	2,593,046	-	2,593,046	2,641,277	-	2,641,277
TOTAL OPERATING EXPENSES	123,406,631	-	123,406,631	126,059,571	-	126,059,571
OPERATING LOSS	(1,027,708)	(42,500)	(1,070,208)	(7,274,126)	-	(7,274,126)
NONOPERATING (LOSS) INCOME:						
Investment activity (Note 7)	(164,297)	-	(164,297)	1,176,483	-	1,176,483
Occupancy expense (below) above lease payments (Note 2M)	(105,551)	-	(105,551)	71,269	-	71,269
TOTAL NONOPERATING (LOSS) INCOME	(269,848)	-	(269,848)	1,247,752	-	1,247,752
CHANGE IN NET ASSETS	(1,297,556)	(42,500)	(1,340,056)	(6,026,374)	-	(6,026,374)
Net Assets - Beginning of Year - As Previously Stated	26,650,245	883,837	27,534,082	31,899,271	883,837	32,783,108
Prior period adjustment (Note 19)	-	-	-	777,348	-	777,348
Net Assets - Beginning of Year - As Restated	26,650,245	883,837	27,534,082	32,676,619	883,837	33,560,456
NET ASSETS - END OF YEAR	$ 25,352,689	$ 841,337	$ 26,194,026	$ 26,650,245	$ 883,837	$ 27,534,082

The accompanying notes are an integral part of these consolidated financial statements.

GOODWILL INDUSTRIES OF GREATER NEW YORK AND NORTHERN NEW JERSEY, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

	For the Year Ended June 30, 2019													
	Goodwill Industries of Greater New York and Northern New Jersey, Inc.													
	Program Services					Supporting Services								
		Rehabilitation and Employment Services												
	Industrial Operations	Extended Rehabilitation	Others	Total	Total Program Services	Management and Administration	Other Supporting Services	Fundraising	Total Supporting Services	Total Goodwill Industries of Greater New York and Northern New Jersey, Inc.	Goodwill Industries Housing Company, Inc.	Consolidating Eliminations	Consolidated Total 2019	Consolidated Total 2018
Salaries (Note 17):														
Program participants	$ 23,623,329	$ 246	$ 413,833	$ 414,079	$ 24,037,408	$ -	$ -	$ -	$ -	$ 24,037,408	$ -	$ -	$ 24,037,408	$ 22,472,759
Employees	22,651,029	3,161	13,138,920	13,142,081	35,793,110	4,636,645	56,449	217,034	4,910,128	40,703,238	332,664	-	41,035,902	39,211,454
Payroll taxes and benefits (Note 14)	4,506,037	934	5,245,062	5,245,996	9,752,033	794,069	3,958	44,853	842,880	10,594,913	177,844	-	10,772,757	10,942,500
Total Salaries and Related Costs	50,780,395	4,341	18,797,815	18,802,156	69,582,551	5,430,714	60,407	261,887	5,753,008	75,335,559	510,508	-	75,846,067	72,626,713
Occupancy (Notes 2M, 15B and 17)	19,919,739	5,958	2,912,763	2,918,721	22,838,460	1,606,784	200,579	8,136	1,815,499	24,653,959	621,855	(167,203)	25,108,611	30,104,473
Specific assistance to program participants	-	-	13,851	13,851	13,851	-	-	-	-	13,851	-	-	13,851	3,340
Purchased goods	446,972	-	10	10	446,982	-	-	-	-	446,982	-	-	446,982	1,388,461
Trucking services	3,012,038	-	-	-	3,012,038	-	-	-	-	3,012,038	-	-	3,012,038	3,171,935
Professional fees	1,292,787	60	732,755	732,815	2,025,602	2,139,909	12,617	107,002	2,259,528	4,285,130	491,677	-	4,776,807	4,018,484
Supplies	1,282,955	376	352,538	352,914	1,635,869	113,160	1,245	1,865	116,270	1,752,139	70,973	-	1,823,112	1,704,393
Telephone	167,155	1,280	441,274	442,554	609,709	217,653	16,886	3,984	238,523	848,232	-	-	848,232	722,484
Postage and shipping	335,992	1	24,163	24,164	360,156	12,593	229	3,636	16,458	376,614	-	-	376,614	646,615
Insurance	863,389	52	107,273	107,325	970,714	28,475	2,667	1	31,143	1,001,857	142,935	-	1,144,792	1,096,821
Printing and advertising	175,198	-	456	456	175,654	20,818	-	20,103	40,921	216,575	-	-	216,575	55,447
Transportation (Note 15B)	313,056	165	177,447	177,612	490,668	28,710	18	2,334	31,062	521,730	-	-	521,730	575,090
Equipment maintenance and rental (Note 15B)	984,969	254	223,778	224,032	1,209,001	460,223	999	1,787	463,009	1,672,010	88,753	-	1,760,763	1,734,021
Membership dues/staff development	50,611	19	143,152	143,171	193,782	263,622	-	2,177	265,799	459,581	-	-	459,581	393,719
Client activities	196	-	1,363,431	1,363,431	1,363,627	4,591	-	142	4,733	1,368,360	-	-	1,368,360	1,671,790
Expensed equipment (Note 2D)	-	-	-	-	-	-	-	-	-	-	-	-	-	504,586
Bad debt	-	-	479,084	479,084	479,084	3,001	-	-	3,001	482,085	115,986	-	598,071	594,277
Interest	13,965	-	-	-	13,965	104,696	-	-	104,696	118,661	83,154	-	201,815	184,942
Depreciation and amortization (Note 2D)	1,629,391	1,125	114,087	115,212	1,744,603	272,223	9,285	2,117	283,625	2,028,228	395,804	-	2,424,032	2,501,762
Miscellaneous	1,938,623	-	53,889	53,889	1,992,512	341,545	589	52,551	394,685	2,387,197	71,401	-	2,458,598	2,360,218
TOTAL EXPENSES BEFORE ALLOCATION	83,207,431	13,631	25,937,766	25,951,397	109,158,828	11,048,717	305,521	467,722	11,821,960	120,980,788	2,593,046	(167,203)	123,406,631	126,059,571
ALLOCATION OF ELIMINATIONS	(28,025)	-	(96,959)	(96,959)	(124,984)	(40,152)	-	(2,067)	(42,219)	(167,203)	-	167,203	-	-
TOTAL EXPENSES	$ 83,179,406	$ 13,631	$ 25,840,807	$ 25,854,438	$ 109,033,844	$ 11,008,565	$ 305,521	$ 465,655	$ 11,779,741	$ 120,813,585	$ 2,593,046	$ -	$ 123,406,631	$ 126,059,571

The accompanying notes are an integral part of these consolidated financial statements.

GOODWILL INDUSTRIES OF GREATER NEW YORK AND
NORTHERN NEW JERSEY, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Goodwill Industries of Greater New York and Northern New Jersey, Inc.												
	Program Services					Supporting Services							
		Rehabilitation and Employment Services											
	Industrial Operations	Extended Rehabilitation	Others	Total	Total Program Services	Management and Administration	Other Supporting Services	Fundraising	Total Supporting Services	Total Goodwill Industries of Greater New York and Northern New Jersey, Inc.	Goodwill Industries Housing Company, Inc.	Consolidating Eliminations	Consolidated Total
Salaries (Note 17):													
Program participants	$ 22,210,374	$ 6,319	$ 256,066	$ 262,385	$ 22,472,759	$ -	$ -	$ -	$ -	$ 22,472,759	$ -	$ -	$ 22,472,759
Employees	22,500,563	94,825	12,111,721	12,206,546	34,707,109	3,847,975	91,310	174,667	4,113,952	38,821,061	390,393	-	39,211,454
Payroll taxes and benefits (Note 14)	7,189,321	26,886	2,731,658	2,758,544	9,947,865	750,248	8,775	37,318	796,341	10,744,206	198,294	-	10,942,500
Total Salaries and Related Costs	51,900,258	128,030	15,099,445	15,227,475	67,127,733	4,598,223	100,085	211,985	4,910,293	72,038,026	588,687	-	72,626,713
Occupancy (Notes 2M, 15B and 17)	19,282,575	11,045	2,632,862	2,643,907	21,926,482	7,654,723	24,683	2,980	7,682,386	29,608,868	562,072	(66,467)	30,104,473
Specific assistance to program participants	-	-	3,340	3,340	3,340	-	-	-	-	3,340	-	-	3,340
Purchased goods	1,388,461	-	-	-	1,388,461	-	-	-	-	1,388,461	-	-	1,388,461
Trucking services	3,168,935	-	-	-	3,168,935	3,000	-	-	3,000	3,171,935	-	-	3,171,935
Professional fees	831,507	2,083	861,482	863,565	1,695,072	1,890,795	34,981	65,424	1,991,200	3,686,272	332,212	-	4,018,484
Supplies	1,002,365	-	514,137	514,137	1,516,502	91,186	339	2,651	94,176	1,610,678	93,715	-	1,704,393
Telephone	177,525	3,824	382,101	385,925	563,450	151,085	7,020	929	159,034	722,484	-	-	722,484
Postage and shipping	624,751	1	6,864	6,865	631,616	11,208	469	3,322	14,999	646,615	-	-	646,615
Insurance	830,483	2,359	94,681	97,040	927,523	11,583	2,381	1	13,965	941,488	155,333	-	1,096,821
Printing and advertising	33,425	-	462	462	33,887	16,257	-	5,303	21,560	55,447	-	-	55,447
Transportation (Note 15B)	317,058	213	224,101	224,314	541,372	31,143	17	2,558	33,718	575,090	-	-	575,090
Equipment maintenance and rental (Note 15B)	1,006,965	1,200	142,259	143,459	1,150,424	366,880	568	2,197	369,645	1,520,069	213,952	-	1,734,021
Membership dues/staff development	60,351	348	89,121	89,469	149,820	240,833	421	2,645	243,899	393,719	-	-	393,719
Client activities	4,604	4,418	1,654,438	1,658,856	1,663,460	5,932	-	2,398	8,330	1,671,790	-	-	1,671,790
Expensed equipment (Note 2D)	53,933	31	420,281	420,312	474,245	26,978	443	2,920	30,341	504,586	-	-	504,586
Bad debt	173,555	578	252,299	252,877	426,432	19,045	-	-	19,045	445,477	148,800	-	594,277
Interest	27,578	-	-	-	27,578	49,940	-	-	49,940	77,518	107,424	-	184,942
Depreciation and amortization (Note 2D)	1,590,453	10,260	148,001	158,261	1,748,714	346,565	15,434	3,033	365,032	2,113,746	388,016	-	2,501,762
Miscellaneous	1,937,793	135	38,472	38,607	1,976,400	254,683	2,696	75,373	332,752	2,309,152	51,066	-	2,360,218
TOTAL EXPENSES BEFORE RECLASSIFICATION	84,412,575	164,525	22,564,346	22,728,871	107,141,446	15,770,059	189,537	383,719	16,343,315	123,484,761	2,641,277	(66,467)	126,059,571
ALLOCATION OF ELIMINATIONS	(11,141)	-	(38,544)	(38,544)	(49,685)	(15,961)	-	(821)	(16,782)	(66,467)	-	66,467	-
TOTAL EXPENSES	$ 84,401,434	$ 164,525	$ 22,525,802	$ 22,690,327	$ 107,091,761	$ 15,754,098	$ 189,537	$ 382,898	$ 16,326,533	$ 123,418,294	$ 2,641,277	$ -	$ 126,059,571

The accompanying notes are an integral part of these consolidated financial statements.

GOODWILL INDUSTRIES OF GREATER NEW YORK AND NORTHERN NEW JERSEY, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018 Restated
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (1,340,056)	$ (6,026,374)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	2,424,032	2,501,762
Realized gains on investment sales	(1,056,464)	(303,323)
Unrealized losses (gains) on investments	653,349	(1,473,201)
Gain on sale of property and equipment	(3,047,035)	-
Bad debt	598,071	594,277
Subtotal	(1,768,103)	(4,706,859)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(491,952)	(129,455)
Pledges receivable	(39,208)	50,000
Inventory	(53,876)	307,365
Prepaid expenses, deferred charges and other	(839,423)	(74,005)
Security deposits held by lessors	(1,972)	(3,911)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(740,035)	6,030,472
Payroll taxes payable	(169,761)	347,589
Accrued salaries	151,746	36,786
Accrued vacation	5,218	138,749
Accrued mortgage interest	19,843	19,842
Deferred revenue/due to funding sources	830,854	20,059
Deferred rent	105,551	(71,269)
Net Cash (Used in) Provided by Operating Activities	(2,991,118)	1,965,363
CASH FLOWS FROM INVESTING ACTIVITIES:		
Mortgage escrow deposit - net	(299)	4,800
Property and equipment acquisitions	(1,873,344)	(639,248)
Proceeds from sale of property and equipment	4,452,067	-
Reserve for replacement deposits	(165,204)	(176,295)
Reserve for replacement withdrawals	246,649	103,370
Investment purchases	(7,733,579)	(3,019,303)
Proceeds from sale of investments	8,302,430	1,530,935
Net Cash Provided by (Used in) Investing Activities	3,228,720	(2,195,741)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal repayments of mortgages payable	(298,850)	(274,580)
Proceeds from line of credit	3,500,000	3,400,000
Repayment of line of credit	(4,200,000)	(3,500,000)
Proceeds from capital leases payable	1,691,906	-
Repayments of capital leases payable	(179,603)	-
Repayments of loan payable	(337,625)	(307,641)
Net Cash Provided by (Used in) Financing Activities	175,828	(682,221)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	413,430	(912,599)
Cash and Cash Equivalents - Beginning of Year	1,270,830	2,183,429
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,684,260	$ 1,270,830
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for interest (excludes amounts subsidized)	$ 118,661	$ 103,033

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1—ORGANIZATION AND NATURE OF ACTIVITIES

The consolidated financial statements of Goodwill Industries of Greater New York and Northern New Jersey, Inc. and Affiliate (collectively, “Goodwill”) have been prepared by consolidating Goodwill Industries of Greater New York and Northern New Jersey, Inc. (the “Agency”) and Goodwill Industries Housing Company, Inc. ("GIHC"). The Agency is organized under the Not-for-Profit Corporation Law of the State of New York. GIHC is organized under the Membership Corporation Law and Article II of the Private Housing Finance Law of the State of New York. The Agency and GIHC have been granted exemption from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code. GIHC operates a 202-unit apartment building located in Queens, New York, pursuant to the regulations of the United States Department of Housing and Urban Development ("HUD"). Assets of GIHC cannot be distributed to the Agency or otherwise used (other than for the operating purposes of GIHC) without the written consent of HUD. Goodwill provides housing and comprehensive rehabilitation services to persons with emotional, developmental and/or physical disabilities, the economically disadvantaged and the elderly, receiving its principal governmental support from federal, New York State and New York City sources.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Goodwill’s consolidated financial statements have been prepared on the accrual basis of accounting. Goodwill adheres to accounting principles generally accepted in the United States of America (“U.S. GAAP”).

B. The consolidated financial statements include the accounts of Goodwill Industries of Greater New York and Northern New Jersey, Inc. and Goodwill Industries Housing Company, Inc. Upon consolidation, all significant intercompany balances and transactions are eliminated.

C. Goodwill maintains its net assets under the following classes:

- Without donor restrictions – represents resources available for support of Goodwill’s operations over which the Board of Directors has discretionary control.
- With donor restrictions – represents assets resulting from contributions and other inflows of assets whose use by Goodwill is limited by donor-imposed stipulations, including donor-restricted endowment funds. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished, or endowment earnings are appropriated for operations), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, Goodwill reports the support as increases in net assets without donor restrictions.

D. Property and equipment is stated at cost less accumulated depreciation or amortization. These amounts do not purport to represent replacement or realizable values. The Agency capitalizes property and equipment with a cost of $1,500 or more and a useful life of greater than two years. GIHC capitalizes property and equipment with a cost of $250 or more and a useful life of greater than one year. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the useful life of the asset or the remaining term of the lease. Certain purchases of equipment are expensed by Goodwill (rather than capitalized) because the cost of these items was reimbursed by governmental funding sources, where the contractual agreement specifies that title to these assets rests with the governmental funding source rather than Goodwill.

E. Goodwill considers all highly liquid instruments with maturities of 90 days or less when acquired to be cash and cash equivalents, except for cash maintained in its investment portfolio. Tenant security deposits held are maintained in bank cash accounts and are not considered cash and cash equivalents for statement of cash flow purposes.

F. Investments and the reserve for replacements are recorded at fair value.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Goodwill determines whether an allowance for doubtful accounts should be provided for accounts and pledges receivable. Such estimates are based on management's assessment of the aged basis of its government funding sources, current economic conditions, creditworthiness of tenants, government, customers, contributors and other sources and historical information. Pledges receivable that are expected to be collected in future years are recorded at their net present value (if materially less than the actual amount pledged) computed using the risk adjusted interest rate applicable to the year in which the contribution is made. As of June 30, 2019 and 2018, pledges receivable were expected to be collected within one year.

H. During the years ended June 30, 2019 and 2018, Goodwill received contributed merchandise (clothing, etc.) with a fair value estimated to be $48,642,141 and $47,995,632, respectively. Goodwill reflects such contributed merchandise as contribution revenue in the accompanying consolidated financial statements. Goodwill reflects its industrial operations sales net of the aforementioned estimated amount of contributed goods. This merchandise requires program-related expenses/processes accomplished by people with disabilities and other disadvantaging conditions before it reaches its point of sale. The fair value of the contributed merchandise is estimated at the retail sales value in excess of the processing costs. The contributed merchandise inventory is estimated by utilizing inventory turnover rates. Inventory consisted of contributed merchandise of $4,053,514 and $3,999,638 as of June 30, 2019 and 2018, respectively.

I. Goodwill recognizes bequests and legacies when the proceeds are measurable and an irrevocable right to the proceeds has been established by Goodwill. Goodwill's policy is to designate bequests and legacies as Board designated net assets.

J. The costs of providing the various program and supporting services have been summarized on a functional basis in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among programs and supporting services benefited. The expenses that have been allocated include salaries and payroll taxes and benefits, which have been allocated based on estimates of time and effort, and occupancy, insurance, and depreciation and amortization, which are estimated using square footage estimates.

K. The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

L. Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair values into three levels as described in Note 7.

M. Goodwill leases real property under various leases through 2033. The difference between rental payments actually due under the lease and rent expense calculated on the straight-line basis for the years ended June 30, 2019 and 2018, amounted to $(105,551) and $71,269, respectively, and is reflected in the accompanying consolidated statements of activities as occupancy expense (below) above lease payments. As of June 30, 2019 and 2018, a liability in the amount of $2,199,042 and $2,093,491, respectively, is reflected on the accompanying consolidated statements of financial position as deferred rent.

N. Effective for the year ended June 30, 2019, Goodwill adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-14, "Not-for-Profit Entities." ASU 2016-14 provides for a number of changes, including the presentation of two classes of net assets and enhanced disclosure on liquid resources and expense allocation. The changes were adopted retrospectively and had no impact on the change in net assets for the year ended June 30, 2018. Net assets as of June 30, 2018 were renamed to conform to the new presentation.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Certain line items in the June 30, 2018 consolidated financial statements have been reclassified to conform to the June 30, 2019 presentation. These changes had no impact on the change in net assets for the year ended June 30, 2018.

NOTE 3—LIQUIDITY AND AVAILABILITY OF RESOURCES TO MEET GENERAL EXPENDITURES

Goodwill regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, Goodwill considers all expenditures related to its ongoing programs and supporting services to be general expenditures.

Goodwill's investment funds consist of Board-designated net assets and donor-restricted endowment funds. The endowment is not available for general expenditure, although there is an annual appropriation from the endowment funds for operations as more fully described in Note 13. Goodwill also has a line of credit available as more fully described in Note 10.

Goodwill entered agreements to sell property and equipment, as further described in Note 6. Proceeds from the sales will be available for operations and improve liquidity for future periods.

Financial assets available for general expenditure within one year of the consolidated statement of financial position date, without donor or other restrictions limiting their use, were as follows as of June 30, 2019:

Cash and cash equivalents	$ 1,684,260
Accounts receivable	10,961,318
Pledges receivable	39,208
Investments	23,070,907
	35,755,693
Less: donor-restricted net assets	(841,337)
Less: Board-designated net assets	(22,135,767)
Net book value	$ 12,778,589

NOTE 4—RESERVE FOR REPLACEMENTS

A regulatory agreement between GIHC and HUD requires that GIHC maintain a reserve fund for replacements under the control of the New York City Housing Development Corporation. The funds are periodically used with the consent of HUD. As of June 30, 2019 and 2018, the funds were invested in United States Treasury bills.

NOTE 5—ACCOUNTS RECEIVABLE

Accounts receivable consists of the following as of June 30:

	2019	2018
Government sources:		
New York City Human Resources Administration	$ 2,819,865	$ 2,174,233
New York State Vocational and Educational Services for Individuals with Disabilities	177,592	96,243
New York City Department of Youth & Community Development	17,579	705,654
New York State Office for People with Developmental Disabilities	1,576,580	1,579,553
New York City Department of Health and Mental Hygiene	831,650	1,010,905
Other	832,351	1,126,389
Industrial operations and other:		
Good Temps (a temporary staffing service for employers)	4,188,803	3,849,350
Others:		
Janitorial Services	133,933	118,996
Motor Messenger	-	81,140
Tenants receivable	478,250	355,530
Other receivables	847,984	796,414
Subtotal	11,904,587	11,894,407
Less: allowance for doubtful accounts	(943,269)	(826,970)
	$ 10,961,318	$ 11,067,437

NOTE 6—PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30:

	2019	2018	Estimated Useful Lives
Land	$ -	$ 1,432,988	-
Buildings and improvements	-	24,620,280	5-50 years
Equipment	22,791,055	21,889,914	3-10 years
Leasehold improvements	16,312,551	15,484,092	2-12 years
Transportation equipment	847,577	847,577	5 years
Construction-in-progress (see below)	116,303	4,080	-
Collection boxes	145,042	145,042	5 years
Total cost	40,212,528	64,423,973	
Less: accumulated depreciation and amortization	(36,203,924)	(54,376,864)	
Net book value	$ 4,008,604	$ 10,047,109	

During the year ended June 30, 2019, Goodwill disposed of fully depreciated property and equipment amounting to $1,679,183.

Goodwill is involved in a variety of construction projects as of June 30, 2019, whereby Goodwill will incur additional costs subsequent to June 30, 2019.

Depreciation and amortization expense for the years ended June 30, 2019 and 2018, amounted to $2,424,032 and $2,501,762, respectively.

NOTE 6—PROPERTY AND EQUIPMENT (Continued)

During the year ended June 30, 2019, Goodwill sold a building in New Jersey and other related property and equipment for a sale price of approximately $4.3 million and recognized a gain on the sale of property and equipment of approximately $3 million. This building was classified as assets held for sale on the accompanying consolidated statements of financial position as of June 30, 2018.

During the year ended June 30, 2019, Goodwill entered into an agreement to sell a building including GIHC's apartment building and Goodwill's administrative offices in Astoria, NY for an approximate purchase price of $35 million, subject to adjustments set forth in the purchase and sale agreement. Goodwill expects the sale to be completed during the year ended June 30, 2020 and expects to lease office space to relocate its employees. The related property and equipment have been classified as assets held for sale on the accompanying consolidated statements of financial position.

During the year ended June 30, 2019, Goodwill entered into an agreement to sell a building in Astoria, NY for an approximate purchase price of $14.4 million, subject to adjustments set forth in the purchase and sale agreements. Goodwill expects the sales to be completed during the year ended June 30, 2020. The related property and equipment have been classified as assets held for sale on the accompanying consolidated statements of financial position.

NOTE 7—INVESTMENTS

Investments consist of the following as of June 30:

	2019	2018
Money market funds	$ 1,726,394	$ 2,858,552
Equities	11,019,542	12,462,679
Corporate bonds	4,670,339	2,468,869
Limited partnerships (consisting primarily of listed stocks)	5,654,632	5,446,543
	$ 23,070,907	$ 23,236,643

Investments are subject to market volatility that could substantially change their carrying value in the near term.

Investment activity (including endowment earnings appropriation of $1,010,685 and $886,995, respectively) consists of the following for the years ended June 30:

	2019	2018
Realized gains on investment sales	$ 1,056,464	$ 303,323
Unrealized (losses) gains on investments	(653,349)	1,473,201
Interest and dividend income	464,922	310,298
Less: investment fees	(21,649)	(23,344)
	$ 846,388	$ 2,063,478

The fair value hierarchy defines three levels as follows:

Level 1 – Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2 – Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3 – Valuations based on unobservable inputs are used when little or no market data is available. The hierarchy gives lowest priority to Level 3 inputs.

In determining fair value, Goodwill utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value. Following is a description of the valuation methodologies used for assets measured at fair value.

NOTE 7—INVESTMENTS (Continued)

Money market funds:

Money market funds are valued at the net asset value ("NAV") at a constant $1.00 per share.

Equities:

Equity securities are valued at the closing price reported on the active market on which the individual securities are traded.

Corporate bonds:

Corporate bonds are valued at the closing price reported in the active market in which the bond is traded.

U.S. Treasury notes:

U.S. Treasury notes are valued at the closing price reported in the active market in which the individual securities are traded.

Limited partnerships – equity securities:

Investments in limited partnerships are valued using NAV as a practical expedient. The majority of the underlying investments of the limited partnerships consist of common stock, preferred stock, money market funds and debt instruments, which are generally classified as Level 1 investments in the partnership's audited financial statements.

Financial assets carried at fair value at June 30, 2019, are classified in the table as follows:

	Level 1	Level 2	Level 3	Total
Assets Carried at Fair Value:				
Investments:				
Money market funds	$ 1,726,394	$ -	$ -	$ 1,726,394
Equities	11,019,542	-	-	11,019,542
Corporate bonds	4,670,339	-	-	4,670,339
Subtotal	17,416,275	-	-	17,416,275
Reserve for replacements:				
U.S. Treasury notes	471,072	-	-	471,072
	$ 17,887,347	$ -	$ -	17,887,347
Investments measured using net asset value as a practical expedient				5,654,632
Total investments, at fair value				$ 23,541,979

NOTE 7—INVESTMENTS (Continued)

Financial assets carried at fair value at June 30, 2018, are classified in the table as follows:

	Level 1	Level 2	Level 3	Total
Assets Carried at Fair Value:				
Investments:				
Money market funds	$ 2,858,552	$ -	$ -	$ 2,858,552
Equities	12,462,679	-	-	12,462,679
Corporate bonds	2,468,869	-	-	2,468,869
Subtotal	17,790,100	-	-	17,790,100
Reserve for replacements:				
U.S. Treasury notes	552,517	-	-	552,517
	$ 18,342,617	$ -	$ -	18,342,617
Investments measured using net asset value as a practical expedient				5,446,543
Total investments, at fair value				$ 23,789,160

The following table summarizes investments for which fair value is measured using the net asset value per share practical expedient as of June 30, 2019 and 2018:

	Fair Value at June 30, 2019	Fair Value at June 30, 2018	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Limited partnership	$ 5,654,632	$ 5,446,543	$ -	Monthly	10 days

The investment objective of the partnership is to seek capital appreciation by investing primarily in equity securities (and securities convertible into equity securities) issued by non-U.S. issuers.

NOTE 8—DEFERRED REVENUE/DUE TO FUNDING SOURCES

Included in deferred revenue/due to funding sources as of June 30, 2019 and 2018, was a Community Support Program ("CSP") Medicaid liability due to the New York State Office of Mental Health ("NYS OMH") amounting to $1,899,762 and $1,169,773, respectively.

The balance represents advances received from various funding sources under government grants for which Goodwill has not yet met the grant conditions or provided the services. In addition, it includes amounts due to government agencies for advances received during current and prior years. Such amounts will be recouped by the funding sources.

NOTE 9—MORTGAGES PAYABLE

Mortgages payable consist of the following as of June 30:

	2019	2018	Annual Interest Rate	Due Date
HUD insured note	$ 52,297	$ 351,147	8.500%	2019
Subordinate note – HDC	835,000	835,000	7.757%	2029
	$ 887,297	$ 1,186,147		

NOTE 9—MORTGAGES PAYABLE (Continued)

The HUD insured note is payable to the New York City Housing Development Corporation ("HDC") and is secured by GIHC's property located in Astoria, Queens, New York, as well as the rental receipts. This mortgage is secured by HUD pursuant to Section 223(f) of the National Housing Act. The monthly payment is $26,436, applied first to interest with the balance to principal. HUD is obligated, pursuant to an agreement for interest reduction payments, to pay HDC the difference between the debt service computed at the actual mortgage rate of 8.50% annually and the debt service computed at 1% annually, up to an annual maximum of $225,756. The actual subsidy of GIHC's interest expense was $207,814 and $208,410 for the years ended June 30, 2019 and 2018, respectively.

The second mortgage is payable to HDC and is secured by GIHC's property located in Astoria, Queens, New York, as well as the rents. The monthly payment is $5,398, applied first to interest with the balance to principal. During the years ended June 30, 2019 and 2018, no payments were applied to principal. HUD is obligated, pursuant to an agreement for interest reduction payments, to pay HDC the difference between the debt service computed at the actual mortgage rate of 7.757% annually and the debt service computed at 1% annually, up to an annual maximum of $44,929. The actual subsidy of GIHC's interest expense was $44,929 for each of the years ended June 30, 2019 and 2018. Such amounts are included in fees and grants from governmental agencies on the accompanying consolidated financial statements. A balloon payment of any remaining principal and accrued interest on this mortgage is due on August 1, 2029.

Future annual principal payments of Goodwill's mortgages payable are as follows for each of the years subsequent to June 30, 2019 and thereafter:

2020	$ 53,486
2021	1,531
2022	1,653
2023	1,787
2024	1,931
Thereafter	826,909
	$ 887,297

NOTE 10—LINE OF CREDIT

The Agency has a line of credit with a bank that has a maximum borrowing limit of $5,000,000 and expires April 2020. Interest charged by the bank is equal to the LIBOR rate plus 0.60 percentage points (3% as of June 30, 2019). As of June 30, 2019 and 2018, Goodwill has outstanding borrowings of $2,000,000 and $2,700,000, respectively. The outstanding balance as of November 25, 2019, amounted to $2 million. The interest expense for the line of credit for the years ended June 30, 2019 and 2018, amounted to $104,612 and $77,518, respectively.

NOTE 11—LOAN PAYABLE

The Agency borrowed a loan of $1,000,000 from Goodwill Industries International. The loan is repayable in monthly installments and bears interest at 3.5% and matures in July 2020. The loan is secured by the Agency's future revenue. Interest expense for the loan amounted to $13,999 and $25,515 for the years ended June 30, 2019 and 2018, respectively.

Future annual principal payments of the Agency's loan payable are as follows for each of the years ended after June 30, 2019:

2020	$ 210,138
2021	5,983
	$ 216,121

NOTE 12—NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of June 30:

	2019	2018
Program services	$ 51,459	$ 93,959
Donor-restricted endowment corpus	789,878	789,878
	$ 841,337	$ 883,837

Net assets released from restrictions amounted to $42,500 for each of the years ended June 30, 2019 and 2018.

NOTE 13—ENDOWMENT NET ASSETS

Endowment net assets consist of donor-restricted and Board designated endowment funds. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. See Note 2C for details on how Goodwill maintains its net assets.

New York State adopted as law the New York Prudent Management of Institutional Funds Act (“NYPMIFA”) on September 17, 2010. NYPMIFA creates a rebuttable presumption of imprudence if an organization appropriates more than 7% of a donor-restricted permanent endowment fund’s fair value (averaged over a period of not less than the preceding five years) in any year. Any unappropriated earnings are reflected as net assets with donor restrictions until appropriated. All earnings have been appropriated and designated by the Board of Directors as of June 30, 2019 and 2018.

Goodwill’s Board of Directors has interpreted NYPMIFA as allowing Goodwill to appropriate for expenditure or accumulate so much of an endowment fund as Goodwill determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument.

Goodwill has adopted investment and spending policies that attempt to achieve growth of both principal value and income over time sufficient to preserve or increase the purchasing power of the assets of endowed funds and to provide a predicable stream of funding for programs supported by its endowment and other board-designated commitments reflected in the annual operating budget. The investment policy adopted by the Board of Directors sets forth a quarterly withdrawal rate of 5% on the average quarterly closing fair market value of the previous 20 quarters.

The policy for valuing Goodwill’s investments is disclosed in Notes 2F and 2L. In accordance with U.S. GAAP, organizations are required to disclose any deterioration of the fair value of assets associated with donor-restricted endowment funds that fall below the level the donor requires the organization to retain in perpetuity. Goodwill has not incurred such deficiencies in its endowment funds as of June 30, 2019 and 2018.

In May 2017, the Board of Directors lent $2,000,000 out of the endowment to operations at 4% interest. The loan will be repaid in quarterly installments with interest-only payments made until September 2019. The remaining installments will include principal and interest and will be amortized over the following three years. In April 2018, the Board of Directors lent an additional $800,000 out of the endowment to operations at 4% interest. Goodwill repaid both loans during the year ended June 30, 2018.

NOTE 13—ENDOWMENT NET ASSETS (Continued)

Changes in net endowment assets for year ended June 30, 2019, are as follows:

	Board Designated	Endowment Corpus	Total
Investment activity:			
Interest and dividends	$ 449,118	$ 15,804	$ 464,922
Realized gains	1,020,552	35,912	1,056,464
Unrealized losses	(631,140)	(22,209)	(653,349)
Investment fees	(20,919)	(730)	(21,649)
	817,611	28,777	846,388
Transfer to Board designated	28,777	(28,777)	-
Contributions	401,150	-	401,150
Endowment earnings appropriation	(1,010,685)	-	(1,010,685)
Change in endowment net assets	236,853	-	236,853
Endowment net assets, beginning of year	21,878,095	789,878	22,667,973
Endowment net assets, end of year	$ 22,114,948	$ 789,878	$ 22,904,826

Changes in net endowment assets for year ended June 30, 2018, are as follows:

	Undesignated	Board Designated	Endowment Corpus	Total
Investment activity:				
Interest and dividends	$ -	$ 299,750	$ 10,548	$ 310,298
Realized gains	-	293,012	10,311	303,323
Unrealized gains	-	1,423,123	50,078	1,473,201
Investment fees	-	(22,550)	(794)	(23,344)
	-	1,993,335	70,143	2,063,478
Repayment of loan from operations	(2,800,000)	2,800,000	-	-
Loaned to operations	800,000	(800,000)	-	-
Interest on loan to operations at 4%	-	76,745	-	76,745
Transfer to Board designated	-	70,143	(70,143)	-
Endowment earnings appropriation	-	(886,995)	-	(886,995)
Change in endowment net assets	(2,000,000)	3,253,228	-	1,253,228
Endowment net assets, beginning of year	2,000,000	18,624,867	789,878	21,414,745
Endowment net assets, end of year	$ -	$ 21,878,095	$ 789,878	$ 22,667,973

Endowment net assets of $22,904,826 and $22,667,973 as of June 30, 2019 and 2018, respectively, are included in investments and cash and cash equivalents in the accompanying consolidated statements of financial position.

NOTE 14—PENSION PLANS

Goodwill has three pension plans covering all qualifying employees. The first plan is maintained by the Agency and is a qualified money purchase defined contribution pension plan covering all eligible employees. The Agency suspended the matching contribution during the year ended June 30, 2018. Employer contributions amounted to $0 and $13,794 for the years ended June 30, 2019 and 2018, respectively. Such contributions are included in payroll taxes and benefits in the accompanying consolidated financial statements. The second plan is a 403(b) Plan maintained by the Agency that only provides for employee contributions.

The third plan is maintained by GIHC, a participant in a multi-employer pension plan covering its union employees. GIHC contributes to the Building Service 32BJ Pension Fund (the "Plan"), a multi-employer, non-contributory defined benefit pension plan. The Plan provides retirement benefits to eligible participants employed in the building service industry who are covered under collective bargaining agreements. The Plan is administered by a Board of Trustees ("Trustees"). The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974.

The risks of participating in multi-employer pension plans are different from single-employer plans in that: assets contributed to a multi-employer plan by one employer may be used to provide benefits to employees of other participating employers; if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers; and if GIHC stops participating in the multi-employer plan, GIHC may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability. In connection with the sale of GIHC's building, the buyer may assume GIHC's liabilities with regard to the plan. Goodwill estimated the withdrawal liability at approximately $319,000 as of June 30, 2019.

According to the audited financial statements of the Plan, the actuary certified that for the Plan year beginning July 1, 2017, the Plan was in critical status (funded percentage is less than 65%), also known as the "red zone" under the Pension Protection Act ("PPA"). The significance of entering critical status is that the Plan's Trustees are required by law to adopt a rehabilitation plan, consistent with the requirements of the PPA, designed to improve the Plan's funding over a period of years. The Trustees adopted a rehabilitation plan consistent with this requirement. The Plan will emerge from critical status when its actuary certifies for a plan year that the Plan is not projected to have an accumulated funding deficiency for the plan year or any of the nine succeeding plan years. Pursuant to the PPA, a surcharge is imposed on all contributing employers.

GIHC's pension contributions for the years ended June 30, 2019 and 2018, were $7,863 and $24,409, respectively. GIHC has not contributed more than 5% of the total contribution to the Plan.

Pension Plan	Employer Identification Number	Pension Plan Number	PPA Zone Status Plan Years 7/1/15 to 6/30/16 7/1/16 to 6/30/17	FIP/RP Status Pending/ Implemented	Surcharge Imposed	Expiration Date of Collective Bargaining Agreements
Building Service 32BJ Pension Fund	13-1879376	001	Red	Yes	Yes	None

NOTE 15—COMMITMENTS AND CONTINGENCIES

A. Pursuant to Goodwill's contractual relationships with certain governmental funding sources, outside governmental agencies have the right to examine the books and records of Goodwill involving transactions relating to these contracts. The accompanying consolidated financial statements make no provision for possible disallowances or payback other than discussed in Note 8. In addition, certain agreements provide that some property and equipment, or portions thereof, either owned by or on loan to Goodwill must be utilized by Goodwill to continue owning and/or using these assets.

NOTE 15—COMMITMENTS AND CONTINGENCIES (Continued)

B. Goodwill is obligated, pursuant to various lease agreements, to approximate future minimum annual rentals for real and personal property for each of the years subsequent to June 30, 2019 and thereafter, as follows:

2020	$	13,445,000
2021		10,560,000
2022		8,980,000
2023		6,892,000
2024		4,526,000
Thereafter		9,877,000
	$	54,280,000

Rent expense for real property amounted to $14,020,247 and $19,629,007 for the years ended June 30, 2019 and 2018, respectively. Rent expense for personal property amounted to $1,453,222 and $1,520,069 for the years ended June 30, 2019 and 2018, respectively. Such amounts are included in occupancy, transportation and equipment maintenance and rental expenses in the accompanying consolidated financial statements. Goodwill is also obligated for certain other costs at some of the locations. In addition, under the terms of several of the leases, Goodwill is obligated to pay escalation rentals for certain operating expenses and real estate taxes.

C. Goodwill is a defendant with respect to various claims involving accidents and other issues arising in the normal conduct of its business. Management and legal counsels believe the ultimate resolution of these claims will not have a material impact on the financial position and changes in net assets of Goodwill.

D. Goodwill believes it has no uncertain tax positions as of June 30, 2019 and 2018, in accordance with Accounting Standards Codification ("ASC") Topic 740 ("Income Taxes"), which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NOTE 16—CONCENTRATIONS

Cash and cash equivalents that potentially subject Goodwill to a concentration of credit risk include cash accounts with various institutions that exceeded the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Interest bearing accounts are insured up to $250,000 per depositor. As of June 30, 2019 and 2018, cash and cash equivalents held in one bank exceeded FDIC limits by approximately $1,259,000 and $1,344,000, respectively. Such excess includes outstanding checks.

NOTE 17—RESTRUCTURING COSTS

During the years ended June 30, 2019 and 2018, Goodwill approved a plan to restructure certain components of its operations, which included consolidating program sites, closing some locations, and ending some programs. Goodwill intends to complete the restructuring activities during 2020. The following were the estimated accrued restructuring costs as of June 30:

	2019	2018
Occupancy	$ 6,247,453	$ 7,322,157
Severance pay	-	67,936
Other	51,415	44,895
	$ 6,298,868	$ 7,434,988

NOTE 17—RESTRUCTURING COSTS (Continued)

Such amounts are reflected as accounts payable and accrued expenses on the accompanying consolidated statements of financial position. During the years ended June 30, 2019 and 2018, restructuring costs of $1,257,258 and $7,434,988, respectively, are reflected on the accompanying consolidated statements of functional expenses. Due to uncertainties in the settlement process, however, it is at least reasonably possible that management's estimates may change in the near term.

NOTE 18—CAPITAL LEASES PAYABLE

During the year ended June 30, 2019, Goodwill signed capital leases secured by their equipment. The leases are payable in monthly installments through February 2024 and bear interest at approximately 4 percent.

Future minimum lease payments for each of the years subsequent to June 30, 2019 were as follows:

2020	$ 354,432
2021	354,432
2022	354,432
2023	346,406
2024	213,937
	$ 1,623,639

NOTE 19—PRIOR PERIOD ADJUSTMENT

Subsequent to the issuance of Goodwill's June 30, 2018 financial statements, management discovered that a deferred interest liability was not due to the lender. Management corrected this error by restating the net assets as of July 1, 2017. The impact of this adjustment on the consolidated financial statements is reflected on the consolidated statements of activities as a prior period adjustment as indicated in the table below. Accordingly, the beginning net assets as of June 30, 2018 were understated by $777,348.

	As Previously Reported	As Restated	Change
Mortgages payable	$ 1,963,495	$ 1,186,147	$ (777,348)
Net assets without donor restrictions	$ 25,872,897	$ 26,650,245	$ 777,348

NOTE 20—SUBSEQUENT EVENTS

Management has evaluated events subsequent to the date of the consolidated statement of financial position through November 25, 2019, the date the consolidated financial statements were available to be issued.

GOODWILL INDUSTRIES OF GREATER NEW YORK AND NORTHERN NEW JERSEY, INC. AND AFFILIATE
CONSOLIDATING SCHEDULES OF FINANCIAL POSITION
AS OF JUNE 30, 2019 AND 2018

	As of June 30, 2019				As of June 30, 2018			
	Goodwill Industries of Greater New York and Northern New Jersey, Inc.	Goodwill Industries Housing Company, Inc.	Consolidating Eliminations	Consolidated Total 2019	Goodwill Industries of Greater New York and Northern New Jersey, Inc.	Goodwill Industries Housing Company, Inc.	Consolidating Eliminations	Consolidated Total 2018 Restated
ASSETS								
Cash and cash equivalents	$ 1,493,426	$ 190,834	$ -	$ 1,684,260	$ 1,075,430	$ 195,400	$ -	$ 1,270,830
Accounts receivable, net	10,860,239	101,079	-	10,961,318	10,980,698	86,739	-	11,067,437
Pledges receivable	39,208	-	-	39,208	-	-	-	-
Inventory	4,053,514	-	-	4,053,514	3,999,638	-	-	3,999,638
Prepaid expenses, deferred charges and other	1,835,800	52,241	-	1,888,041	999,852	48,766	-	1,048,618
Due from affiliate	2,400,408	-	(2,400,408)	-	2,400,408	-	(2,400,408)	-
Assets held for sale	3,137,436	2,350,381	-	5,487,817	1,405,032	-	-	1,405,032
Investments	23,070,907	-	-	23,070,907	23,236,643	-	-	23,236,643
Mortgage escrow deposits	-	118,052	-	118,052	-	117,753	-	117,753
Reserve for replacements	-	471,072	-	471,072	-	552,517	-	552,517
Security deposits held by lessors	809,081	-	-	809,081	807,109	-	-	807,109
Tenant security deposits held	-	94,525	-	94,525	-	101,159	-	101,159
Property and equipment, net	3,970,708	37,896	-	4,008,604	7,428,379	2,618,730	-	10,047,109
TOTAL ASSETS	$ 51,670,727	$ 3,416,080	$ (2,400,408)	$ 52,686,399	$ 52,333,189	$ 3,721,064	$ (2,400,408)	$ 53,653,845
LIABILITIES								
Accounts payable and accrued expenses	$ 11,139,111	$ 2,613,850	$ (2,400,408)	$ 11,352,553	$ 11,863,482	$ 2,629,514	$ (2,400,408)	$ 12,092,588
Payroll taxes payable	1,072,071	-	-	1,072,071	1,241,832	-	-	1,241,832
Accrued salaries	1,138,836	4,267	-	1,143,103	986,867	4,490	-	991,357
Accrued vacation	1,276,381	-	-	1,276,381	1,271,163	-	-	1,271,163
Accrued mortgage interest	-	183,387	-	183,387	-	163,544	-	163,544
Deferred revenue/due to funding sources	4,415,908	28,346	-	4,444,254	3,576,971	36,429	-	3,613,400
Deferred rent	2,199,042	-	-	2,199,042	2,093,491	-	-	2,093,491
Mortgages payable	-	887,297	-	887,297	-	1,186,147	-	1,186,147
Line of credit payable	2,000,000	-	-	2,000,000	2,700,000	-	-	2,700,000
Capital lease payable	1,623,639	-	-	1,623,639	111,336	-	-	111,336
Loan payable	216,121	-	-	216,121	553,746	-	-	553,746
Tenant security deposits payable	-	94,525	-	94,525	-	101,159	-	101,159
TOTAL LIABILITIES	25,081,109	3,811,672	(2,400,408)	26,492,373	24,398,888	4,121,283	(2,400,408)	26,119,763
NET ASSETS								
Without donor restrictions								
Operating	3,633,333	(395,592)	-	3,237,741	5,172,369	(400,219)	-	4,772,150
Board designated for endowment	22,114,948	-	-	22,114,948	21,878,095	-	-	21,878,095
Total unrestricted	25,748,281	(395,592)	-	25,352,689	27,050,464	(400,219)	-	26,650,245
With donor restrictions	841,337	-	-	841,337	883,837	-	-	883,837
TOTAL NET ASSETS	26,589,618	(395,592)	-	26,194,026	27,934,301	(400,219)	-	27,534,082
TOTAL LIABILITIES AND NET ASSETS	$ 51,670,727	$ 3,416,080	$ (2,400,408)	$ 52,686,399	$ 52,333,189	$ 3,721,064	$ (2,400,408)	$ 53,653,845

GOODWILL INDUSTRIES OF GREATER NEW YORK AND NORTHERN NEW JERSEY, INC. AND AFFILIATE
CONSOLIDATING SCHEDULES OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	For the Year Ended June 30, 2019				For the Year Ended June 30, 2018			
	Goodwill Industries of Greater New York and Northern New Jersey, Inc.	Goodwill Industries Housing Company, Inc.	Consolidating Eliminations	Consolidated Total 2019	Goodwill Industries of Greater New York and Northern New Jersey, Inc.	Goodwill Industries Housing Company, Inc.	Consolidating Eliminations	Consolidated Total 2018 Restated
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:								
OPERATING REVENUES:								
Public Support:								
Contributions	$ 664,761	$ -	$ -	$ 664,761	$ 572,545	$ -	$ -	$ 572,545
Bequests and legacies	401,150	-	-	401,150	-	-	-	-
Contributed revenue - donated goods	48,642,141	-	-	48,642,141	47,995,632	-	-	47,995,632
Net assets released from restrictions	42,500	-	-	42,500	42,500	-	-	42,500
Total Public Support	49,750,552	-	-	49,750,552	48,610,677	-	-	48,610,677
Governmental Support:								
Fees and grants from governmental agencies	22,867,437	616,832	-	23,484,269	23,875,888	552,597	-	24,428,485
Total Governmental Support	22,867,437	616,832	-	23,484,269	23,875,888	552,597	-	24,428,485
Other Revenue:								
Industrial operations	43,134,857	-	-	43,134,857	42,829,827	-	-	42,829,827
Tenant rent	-	1,816,662	(167,203)	1,649,459	-	1,865,598	(66,467)	1,799,131
Gain on sales of property and equipment	3,047,035	-	-	3,047,035	-	-	-	-
Endowment earnings appropriations	1,010,685	-	-	1,010,685	886,995	-	-	886,995
Other	137,887	164,179	-	302,066	79,774	150,556	-	230,330
Total Other Revenue	47,330,464	1,980,841	(167,203)	49,144,102	43,796,596	2,016,154	(66,467)	45,746,283
TOTAL OPERATING REVENUES	119,948,453	2,597,673	(167,203)	122,378,923	116,283,161	2,568,751	(66,467)	118,785,445
OPERATING EXPENSES:								
Industrial operations	83,207,431	-	(28,025)	83,179,406	84,412,575	-	(11,141)	84,401,434
Rehabilitation and employment services	25,951,397	-	(96,959)	25,854,438	22,728,871	-	(38,544)	22,690,327
Management and administration	11,048,717	-	(40,152)	11,008,565	15,770,059	-	(15,961)	15,754,098
Other supporting services	305,521	-	-	305,521	189,537	-	-	189,537
Fundraising	467,722	-	(2,067)	465,655	383,719	-	(821)	382,898
Residential operations of affiliate	-	2,593,046	-	2,593,046	-	2,641,277	-	2,641,277
TOTAL OPERATING EXPENSES	120,980,788	2,593,046	(167,203)	123,406,631	123,484,761	2,641,277	(66,467)	126,059,571
OPERATING LOSS	(1,032,335)	4,627	-	(1,027,708)	(7,201,600)	(72,526)	-	(7,274,126)
NONOPERATING INCOME (LOSS):								
Investment activity	(164,297)	-	-	(164,297)	1,176,483	-	-	1,176,483
Occupancy expense below lease payments (Note 2M)	(105,551)	-	-	(105,551)	71,269	-	-	71,269
TOTAL NONOPERATING INCOME (LOSS)	(269,848)	-	-	(269,848)	1,247,752	-	-	1,247,752
Change in Net Assets Without Donor Restrictions	(1,302,183)	4,627	-	(1,297,556)	(5,953,848)	(72,526)	-	(6,026,374)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:								
Contributions	-	-	-	-	42,500	-	-	42,500
Net assets released from restrictions	(42,500)	-	-	(42,500)	(42,500)	-	-	(42,500)
Change in Net Assets With Donor Restrictions	(42,500)	-	-	(42,500)	-	-	-	-
CHANGE IN NET ASSETS	(1,344,683)	4,627	-	(1,340,056)	(5,953,848)	(72,526)	-	(6,026,374)
Net Assets - Beginning of Year - As Previously Stated	27,934,301	(400,219)	-	27,534,082	33,888,149	(1,105,041)	-	32,783,108
Prior period adjustment	-	-	-	-	-	777,348	-	777,348
Net Assets - Beginning of Year - As Restated	27,934,301	(400,219)	-	27,534,082	33,888,149	(327,693)	-	33,560,456
NET ASSETS - END OF YEAR	$ 26,589,618	$ (395,592)	$ -	$ 26,194,026	$ 27,934,301	$ (400,219)	$ -	$ 27,534,082

See independent auditors' report.