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

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, 2018 and 2017

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, 2018 AND 2017

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, 2018 and 2017, 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, 2018 and 2017, 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.

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 20-21) 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 26, 2018

GOODWILL INDUSTRIES OF GREATER NEW YORK AND NORTHERN NEW JERSEY, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Cash and cash equivalents (Notes 2E and 17)	$ 1,270,830	$ 2,183,429
Accounts receivable, net (Notes 2G and 5)	11,067,437	11,532,259
Pledges receivable (Notes 2G and 3)	-	50,000
Inventory (Note 2H)	3,999,638	4,307,003
Prepaid expenses, deferred charges and other	1,048,618	974,613
Assets held for sale (Note 6)	1,405,032	1,405,032
Investments (Notes 2F, 2L, 7, 10, 14 and 17)	23,236,643	19,971,751
Mortgage escrow deposits	117,753	122,553
Reserve for replacements (Notes 2F, 4 and 7)	552,517	479,592
Security deposits held by lessors	807,109	803,198
Tenant security deposits held (Note 2E)	101,159	101,530
Property and equipment, net (Notes 2D and 6)	10,047,109	11,909,623
TOTAL ASSETS	$ 53,653,845	$ 53,840,583
LIABILITIES		
Accounts payable and accrued expenses (Note 18)	$ 12,203,924	$ 6,173,452
Payroll taxes payable	1,241,832	894,243
Accrued salaries	991,357	954,571
Accrued vacation	1,271,163	1,132,414
Accrued mortgage interest	163,544	143,702
Deferred revenue/due to funding sources (Note 8)	3,613,400	3,593,341
Deferred rent (Note 2M)	2,093,491	2,164,760
Mortgages payable (Note 9)	1,963,495	2,238,075
Line of credit payable (Note 10)	2,700,000	2,800,000
Loan payable (Note 11)	553,746	861,387
Tenant security deposits payable	101,159	101,530
TOTAL LIABILITIES	26,897,111	21,057,475
COMMITMENTS AND CONTINGENCIES (Note 16)		
NET ASSETS (Note 2C)		
Unrestricted		
Operating	3,994,802	13,274,404
Board designated for endowment (Note 14)	21,878,095	18,624,867
Total unrestricted	25,872,897	31,899,271
Temporarily restricted (Note 12)	93,959	93,959
Permanently restricted (Notes 13 and 14)	789,878	789,878
TOTAL NET ASSETS	26,756,734	32,783,108
TOTAL LIABILITIES AND NET ASSETS	$ 53,653,845	$ 53,840,583

GOODWILL INDUSTRIES OF GREATER NEW YORK AND NORTHERN NEW JERSEY, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	For the Year Ended June 30, 2018				For the Year Ended June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2018	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017
OPERATING REVENUES:								
Public Support:								
Contributions (Note 2H)	$ 572,545	$ 42,500	$ -	$ 615,045	$ 648,954	$ 42,500	$ -	$ 691,454
Bequests and legacies (Note 2I)	-	-	-	-	860,000	-	-	860,000
Contributed revenue - donated goods (Note 2H)	47,995,632	-	-	47,995,632	43,915,917	-	-	43,915,917
Net assets released from restrictions (Note 12)	42,500	(42,500)	-	-	5,003	(5,003)	-	-
Total Public Support	48,610,677	-	-	48,610,677	45,429,874	37,497	-	45,467,371
Governmental Support:								
Fees and grants from governmental agencies	24,428,485	-	-	24,428,485	31,460,380	-	-	31,460,380
Total Governmental Support	24,428,485	-	-	24,428,485	31,460,380	-	-	31,460,380
Other Revenue:								
Industrial operations	42,829,827	-	-	42,829,827	43,035,555	-	-	43,035,555
Tenant rent	1,799,131	-	-	1,799,131	1,783,039	-	-	1,783,039
Endowment earnings appropriations (Note 7)	886,995	-	-	886,995	895,977	-	-	895,977
Other	230,330	-	-	230,330	453,902	-	-	453,902
Total Other Revenue	45,746,283	-	-	45,746,283	46,168,473	-	-	46,168,473
TOTAL OPERATING REVENUES	118,785,445	-	-	118,785,445	123,058,727	37,497	-	123,096,224
OPERATING EXPENSES: (Note 2J)								
Industrial operations	84,401,434	-	-	84,401,434	81,999,478	-	-	81,999,478
Rehabilitation and employment services	22,690,327	-	-	22,690,327	29,115,387	-	-	29,115,387
Management and administration	15,777,442	-	-	15,777,442	11,384,055	-	-	11,384,055
Other supporting services	189,537	-	-	189,537	220,799	-	-	220,799
Fundraising	382,898	-	-	382,898	361,398	-	-	361,398
Residential operations of affiliate	2,641,277	-	-	2,641,277	2,807,952	-	-	2,807,952
TOTAL OPERATING EXPENSES	126,082,915	-	-	126,082,915	125,889,069	-	-	125,889,069
OPERATING LOSS	(7,297,470)	-	-	(7,297,470)	(2,830,342)	37,497	-	(2,792,845)
NONOPERATING INCOME:								
Investment activity (Note 7)	1,199,827	-	-	1,199,827	1,691,481	-	-	1,691,481
Occupancy expense below lease payments (Note 2M	71,269	-	-	71,269	60,734	-	-	60,734
TOTAL NONOPERATING INCOME	1,271,096	-	-	1,271,096	1,752,215	-	-	1,752,215
CHANGE IN NET ASSETS	(6,026,374)	-	-	(6,026,374)	(1,078,127)	37,497	-	(1,040,630)
Net Assets - Beginning of Year	31,899,271	93,959	789,878	32,783,108	32,977,398	56,462	789,878	33,823,738
NET ASSETS - END OF YEAR	$ 25,872,897	$ 93,959	$ 789,878	$ 26,756,734	$ 31,899,271	$ 93,959	$ 789,878	$ 32,783,108

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
(With Comparative Totals for the Year Ended June 30, 2017)

	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 2018	Consolidated Total 2017
Salaries (Note 18):														
Program participants	$ 22,210,374	$ 6,319	$ 256,066	$ 262,385	$ 22,472,759	$ -	$ -	$ -	$ -	$ 22,472,759	$ -	$ -	$ 22,472,759	$ 20,797,146
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	42,098,431
Payroll taxes and benefits (Note 15)	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	11,878,507
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	74,774,084
Occupancy (Notes 2M, 16B and 18)	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	25,728,625
Specific assistance to program participants	-	-	3,340	3,340	3,340	-	-	-	-	3,340	-	-	3,340	18,984
Purchased goods (Note 2H)	1,388,461	-	-	-	1,388,461	-	-	-	-	1,388,461	-	-	1,388,461	2,728,959
Trucking services	3,168,935	-	-	-	3,168,935	3,000	-	-	3,000	3,171,935	-	-	3,171,935	3,350,206
Professional fees (Note 7)	831,507	2,083	861,482	863,565	1,695,072	1,914,139	34,981	65,424	2,014,544	3,709,616	332,212	-	4,041,828	4,799,245
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	1,663,940
Telephone	177,525	3,824	382,101	385,925	563,450	151,085	7,020	929	159,034	722,484	-	-	722,484	765,813
Postage and shipping	624,751	1	6,864	6,865	631,616	11,208	469	3,322	14,999	646,615	-	-	646,615	690,741
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	1,043,752
Printing and advertising	33,425	-	462	462	33,887	16,257	-	5,303	21,560	55,447	-	-	55,447	55,450
Transportation (Note 16B)	317,058	213	224,101	224,314	541,372	31,143	17	2,558	33,718	575,090	-	-	575,090	732,399
Equipment maintenance and rental (Note 16B)	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	1,570,188
Membership dues/staff development	60,351	348	89,121	89,469	149,820	240,833	421	2,645	243,899	393,719	-	-	393,719	497,227
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	1,109,327
Expensed equipment (Note 2D)	53,933	31	420,281	420,312	474,245	26,978	443	2,920	30,341	504,586	-	-	504,586	304,316
Bad debts	173,555	578	252,299	252,877	426,432	19,045	-	-	19,045	445,477	148,800	-	594,277	666,571
Interest	27,578	-	-	-	27,578	49,940	-	-	49,940	77,518	107,424	-	184,942	224,873
Depreciation and amortization	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	3,199,981
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	1,964,388
TOTAL EXPENSES BEFORE ALLOCATION	84,412,575	164,525	22,564,346	22,728,871	107,141,446	15,793,403	189,537	383,719	16,366,659	123,508,105	2,641,277	(66,467)	126,082,915	125,889,069
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	$ 15,777,442	$ 189,537	$ 382,898	$ 16,349,877	$ 123,441,638	$ 2,641,277	$ -	$ 126,082,915	$ 125,889,069

GOODWILL INDUSTRIES OF GREATER NEW YORK AND
NORTHERN NEW JERSEY, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	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:													
Program participants	$ 20,390,222	$ 125,770	$ 281,154	$ 406,924	$ 20,797,146	$ -	$ -	$ -	$ -	$ 20,797,146	$ -	$ -	$ 20,797,146
Employees	21,728,801	318,496	13,967,029	14,285,525	36,014,326	5,347,391	91,548	157,783	5,596,722	41,611,048	487,383	-	42,098,431
Payroll taxes and benefits (Note 15)	6,704,646	123,447	3,581,410	3,704,857	10,409,503	1,194,435	19,835	40,782	1,255,052	11,664,555	213,952	-	11,878,507
Total Salaries and Related Costs	48,823,669	567,713	17,829,593	18,397,306	67,220,975	6,541,826	111,383	198,565	6,851,774	74,072,749	701,335	-	74,774,084
Occupancy (Notes 2M and 16B)	19,359,735	44,430	4,043,463	4,087,893	23,447,628	1,823,093	28,788	6,232	1,858,113	25,305,741	580,788	(157,904)	25,728,625
Specific assistance to program participants	-	-	18,984	18,984	18,984	-	-	-	-	18,984	-	-	18,984
Purchased goods (Note 2H)	2,728,959	-	-	-	2,728,959	-	-	-	-	2,728,959	-	-	2,728,959
Trucking services	3,345,693	2,500	2,013	4,513	3,350,206	-	-	-	-	3,350,206	-	-	3,350,206
Professional fees (Note 7)	652,533	6,595	2,517,359	2,523,954	3,176,487	1,298,075	23,350	35,291	1,356,716	4,533,203	266,042	-	4,799,245
Supplies	880,556	25,557	572,154	597,711	1,478,267	91,201	4,477	1,528	97,206	1,575,473	88,467	-	1,663,940
Telephone	195,797	7,650	440,800	448,450	644,247	115,653	5,655	258	121,566	765,813	-	-	765,813
Postage and shipping	659,317	39	8,151	8,190	667,507	10,536	492	12,206	23,234	690,741	-	-	690,741
Insurance	741,635	18,089	113,711	131,800	873,435	19,326	5,133	452	24,911	898,346	145,406	-	1,043,752
Printing and advertising	26,229	-	478	478	26,707	24,319	-	4,424	28,743	55,450	-	-	55,450
Transportation (Note 16B)	338,025	1,197	354,920	356,117	694,142	37,674	266	317	38,257	732,399	-	-	732,399
Equipment maintenance and rental (Note 16B)	771,706	2,904	252,242	255,146	1,026,852	276,016	1,377	10,911	288,304	1,315,156	255,032	-	1,570,188
Membership dues/staff development	46,071	6,126	202,873	208,999	255,070	237,207	435	4,515	242,157	497,227	-	-	497,227
Client activities	6,735	8,636	1,093,956	1,102,592	1,109,327	-	-	-	-	1,109,327	-	-	1,109,327
Expensed equipment (Note 2D)	58,403	740	223,679	224,419	282,822	10,812	3,474	7,208	21,494	304,316	-	-	304,316
Bad debts	83,116	792	329,074	329,866	412,982	44,796	-	-	44,796	457,778	208,793	-	666,571
Interest	38,145	-	-	-	38,145	57,004	-	-	57,004	95,149	129,724	-	224,873
Depreciation and amortization	1,767,538	34,424	458,365	492,789	2,260,327	526,381	33,150	7,117	566,648	2,826,975	373,006	-	3,199,981
Miscellaneous	1,502,082	600	17,147	17,747	1,519,829	308,055	2,819	74,326	385,200	1,905,029	59,359	-	1,964,388
TOTAL EXPENSES BEFORE RECLASSIFICATION	82,025,944	727,992	28,478,962	29,206,954	111,232,898	11,421,974	220,799	363,350	12,006,123	123,239,021	2,807,952	(157,904)	125,889,069
ALLOCATION OF ELIMINATIONS	(26,466)	-	(91,567)	(91,567)	(118,033)	(37,919)	-	(1,952)	(39,871)	(157,904)	-	157,904	-
TOTAL EXPENSES	$ 81,999,478	$ 727,992	$ 28,387,395	$ 29,115,387	$ 111,114,865	$ 11,384,055	$ 220,799	$ 361,398	$ 11,966,252	$ 123,081,117	$ 2,807,952	$ -	$ 125,889,069

GOODWILL INDUSTRIES OF GREATER NEW YORK AND NORTHERN NEW JERSEY, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (6,026,374)	$ (1,040,630)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,501,762	3,199,981
Realized gains on investment sales	(303,323)	(23,296)
Unrealized gains on investments	(1,473,201)	(2,264,065)
Bad debt expense	594,277	666,571
Subtotal	(4,706,859)	538,561
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(129,455)	(1,816,779)
Pledges receivable	50,000	(25,000)
Inventory	307,365	40,482
Prepaid expenses, deferred charges and other	(74,005)	539,657
Security deposits held by lessors	(3,911)	38,614
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	6,030,472	2,167,701
Payroll taxes payable	347,589	201,698
Accrued salaries	36,786	(1,287,610)
Accrued vacation	138,749	(253,714)
Accrued mortgage interest	19,842	19,842
Deferred revenue/due to funding sources	20,059	110,107
Deferred rent	(71,269)	(60,734)
Net Cash Provided by Operating Activities	1,965,363	212,825
CASH FLOWS FROM INVESTING ACTIVITIES:		
Mortgage escrow deposit - net	4,800	(7,605)
Property and equipment acquisitions	(639,248)	(1,584,283)
Reserve for replacement deposits	(176,295)	(165,204)
Reserve for replacement withdrawals	103,370	138,221
Investment purchases	(3,019,303)	(209,119)
Proceeds from sale of investments	1,530,935	1,955,195
Net Cash (Used in) Provided by Investing Activities	(2,195,741)	127,205
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal repayments of mortgages payable	(274,580)	(252,281)
Proceeds from line of credit	3,400,000	2,000,000
Repayment of line of credit	(3,500,000)	(875,000)
Proceeds from loan payable	-	211,387
Repayments of loan payable	(307,641)	-
Net Cash (Used in) Provided by Financing Activities	(682,221)	1,084,106
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(912,599)	1,424,136
Cash and Cash Equivalents - Beginning of Year	2,183,429	759,293
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,270,830	$ 2,183,429
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for interest (excludes amounts subsidized)	$ 103,033	$ 95,149

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 three classes:

- Unrestricted – represents resources available for support of Goodwill’s operations over which the Board of Directors has discretionary control.
- Temporarily restricted – represents assets resulting from contributions and other inflows of assets whose use by Goodwill is limited by donor-imposed stipulations. In addition, earnings on endowment assets are classified as temporarily restricted until appropriated for operations by the Board of Directors. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished, or endowment earnings are appropriated for operations), temporarily restricted net assets are reclassified to unrestricted net assets 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 unrestricted.
- Permanently restricted – represents those resources received subject to donor-imposed stipulations that they be maintained intact in perpetuity by Goodwill.

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.

H. During the years ended June 30, 2018 and 2017, Goodwill received contributed merchandise (clothing, etc.) with a fair value estimated to be $47,995,632 and $43,915,917, 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 consists of the following as of June 30:

	2018	2017
Contributed merchandise	$ 3,999,638	$ 3,659,660
Purchased goods	-	647,343
	$ 3,999,638	$ 4,307,003

In addition, Goodwill records contributed services and goods (other than merchandise) at their fair values on the date received. For the years ended June 30, 2018 and 2017, Goodwill received contributed services, goods and rent which amounted to approximately $0 and $79,000, 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.

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 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, 2018 and 2017, amounted to $71,269 and $60,734, respectively, and is reflected in the accompanying consolidated statements of activities as occupancy expense below lease payments. As of June 30, 2018 and 2017, a liability in the amount of $2,093,491 and $2,164,760, respectively, is reflected on the accompanying consolidated statements of financial position as deferred rent.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Effective for the year ended June 30, 2018, the Agency adopted the guidance issued by the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2015-07, *Disclosure for Investments in Certain Entities that Calculate NAV*. Under the amendment, investments in entities for which fair value is calculated using the net asset value ("NAV") are no longer required to categorize within the fair value hierarchy those investments that use NAV as a practical expedient, although there must be a reconciliation of the fair value hierarchy to amounts presented in the consolidated statements of financial position. Goodwill has reflected the effects of this amendment as of and for the years ended June 30, 2018 and 2017.

O. Certain line items in the June 30, 2017 financial statements have been reclassified to conform to the June 30, 2018 presentation. These changes had no impact on the change in net assets for the year ended June 30, 2017.

NOTE 3—PLEDGES RECEIVABLE

As of June 30, 2018 and 2017, pledges receivable are expected to be collected as follows:

	2018	2017
Less than one year	$ -	$ 50,000
	$ -	$ 50,000

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, 2018 and 2017, the funds were invested in United States Treasury bills.

NOTE 5—ACCOUNTS RECEIVABLE

Accounts receivable consists of the following as of June 30:

	2018	2017
Government sources:		
New York City Human Resources Administration	$ 2,174,233	$ 1,835,483
New York State Vocational and Educational Services for Individuals with Disabilities	96,243	121,619
New York City Department of Youth & Community Development	705,654	901,114
New York State Office for People with Developmental Disabilities	1,579,553	1,204,274
New York City Department of Health and Mental Hygiene	1,010,905	1,038,339
Other	1,126,389	968,858
Industrial operations and other:		
Good Temps (a temporary staffing service for employers)	3,849,350	4,050,965
Others:		
Janitorial Services	118,996	135,189
Motor Messenger	81,140	229,213
Tenants receivable	355,530	442,105
Other receivables	796,414	1,478,718
Subtotal	11,894,407	12,405,877
Less: allowance for doubtful accounts	(826,970)	(873,618)
	$ 11,067,437	$ 11,532,259

NOTE 6—PROPERTY AND EQUIPMENT

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

	2018	2017	Estimated Useful Lives
Land	$ 1,432,988	$ 1,432,988	-
Buildings and improvements	24,620,280	24,476,817	5-50 years
Equipment	21,889,914	21,626,957	5-10 years
Leasehold improvements	15,484,092	15,313,059	2-12 years
Transportation equipment	847,577	759,826	5 years
Construction-in-progress (see below)	4,080	30,036	-
Collection boxes	145,042	145,042	5 years
Total cost	64,423,973	63,784,725	
Less: accumulated depreciation and amortization	(54,376,864)	(51,875,102)	
Net book value	$ 10,047,109	$ 11,909,623	

During the year ended June 30, 2017, Goodwill disposed of fully depreciated property and equipment amounting to $414,366.

Goodwill is involved in a variety of construction projects as of June 30, 2018, whereby Goodwill will incur additional costs subsequent to June 30, 2018.

Depreciation and amortization expense for the years ended June 30, 2018 and 2017, amounted to $2,501,762 and $3,199,981, respectively.

Goodwill classified building and improvements (net) as held for sale in the accompanying consolidated financial statements amounting to $1,405,032 for each of the years ended June 30, 2018 and 2017.

During the year ended June 30, 2018, Goodwill's Board approved a resolution authorizing management to explore the sale of land and building in Astoria, NY.

NOTE 7—INVESTMENTS

Investments consist of the following as of June 30:

	2018	2017
Money market funds	$ 2,858,552	$ 520,163
Equities	12,462,679	11,811,380
Corporate bonds	2,468,869	2,036,455
Limited partnerships (consisting primarily of listed stocks)	5,446,543	5,603,753
	$ 23,236,643	$ 19,971,751

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

Investment activity (including endowment earnings appropriation of $886,995 and $895,977, respectively) consists of the following for the years ended June 30:

	2018	2017
Realized gains on investment sales	$ 303,323	$ 23,296
Unrealized gains on investments	1,473,201	2,264,065
Interest and dividend income	310,298	300,097
	$ 2,086,822	$ 2,587,458

NOTE 7—INVESTMENTS (Continued)

For the years ended June 30, 2018 and 2017, investment expenses amounted to $23,344 and $39,410, respectively, and are included in professional fees in the accompanying consolidated statements of functional expenses.

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.

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.

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

Financial assets carried at fair value at June 30, 2017, are classified in the table as follows:

	Level 1	Level 2	Level 3	Total
Assets Carried at Fair Value:				
Investments:				
Money market funds	$ 520,163	$ -	$ -	$ 520,163
Equities	11,811,380	-	-	11,811,380
Corporate bonds	2,036,455	-	-	2,036,455
Subtotal	14,367,998	-	-	14,367,998
Reserve for replacements:				
U.S. Treasury notes	479,592	-	-	479,592
	$ 14,847,590	$ -	$ -	14,847,590
Investments measured using net asset value as a practical expedient				5,603,753
Total investments, at fair value				$ 20,451,343

The following table summarizes investments for which fair value is measured using the net asset value per share practical expedient as of June 30, 2018 and 2017:

	Fair Value at June 30, 2018	Fair Value at June 30, 2017	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Limited partnership	$ 5,446,543	$ 5,603,753	$ -	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, 2018 and 2017, was a Community Support Program (“CSP”) Medicaid liability due to the New York State Office of Mental Health (“NYS OMH”) amounting to $1,169,773.

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:

	2018	2017	Annual Interest Rate	Due Date
HUD insured note	$ 351,147	$ 625,727	8.500%	2019
Subordinate note – HDC	835,000	835,000	7.757%	2029
Subordinate note – HDC deferred interest	777,348	777,348		2029
	$ 1,963,495	$ 2,238,075		

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 $208,410 and $210,201 for the years ended June 30, 2018 and 2017, respectively.

The second mortgage is payable to the 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, 2018 and 2017, 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, 2018 and 2017. 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.

The second mortgage provides that when HUD shall cease to hold or insure the HUD note, the deferred interest ($777,348 as of both June 30, 2018 and 2017), shall be paid in equal monthly installments over a period not exceeding fifteen years.

Future annual principal payments of Goodwill’s mortgages payable are as follows for each of the years subsequent to June 30, 2018 and thereafter:

2019	$ 298,850
2020	53,485
2021	1,531
2022	1,653
2023	1,787
Thereafter	1,606,189
	$ 1,963,495

NOTE 10—LINE OF CREDIT

During the year ended June 30, 2017, the Agency had a line of credit with a bank that had a maximum borrowing limit of $3,000,000. Borrowings were secured by certain of the Agency's investments held by the bank. Interest charged by the bank depends on the amount borrowed and ranged between the bank's prime lending rate and the London Inter-Bank Offered Rate ("LIBOR") plus 2%. During the year ended June 30, 2018, the Agency transferred the line of credit to another bank that has a maximum borrowing limit of $5,000,000 and expires April 2019. Interest charged by the bank is equal to the LIBOR rate plus 0.60 percentage points (2.535% as of June 30, 2018). As of June 30, 2018 and 2017, Goodwill has outstanding borrowings of $2,700,000 and $2,800,000, respectively. The outstanding balance as of November 26, 2018, amounted to $4.2 million. The interest expense for the line of credit for the years ended June 30, 2018 and 2017, amounted to $77,518 and $62,987, 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 $25,515 and $32,162 for the years ended June 30, 2018 and 2017, respectively.

Future annual principal payments of the Agency's loan payable are as follows for each of the years ended after June 30, 2018:

2019	$ 337,626
2020	210,138
2021	5,982
	$ 553,746

NOTE 12—TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for various program services at June 30, 2018 and 2017. Net assets were released from donor restrictions during the years ended June 30, 2018 and 2017, by incurring expenses satisfying the restricted purpose or occurrence specified by the donors.

NOTE 13—PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are for an endowment fund. The earnings from the endowment fund are temporarily restricted until appropriated and support the operations of Goodwill.

NOTE 14—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.

Goodwill recognizes that New York State adopted as law the New York Prudent Management of Institutional Funds Act ("NYPMIFA") on September 17, 2010. NYPMIFA replaced the prior law which was the Uniform Management of Institutional Funds Act ("UMIFA"). 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 that would otherwise be considered unrestricted by the donor will be reflected as temporarily restricted until appropriated. All earnings have been appropriated and designated by the Board as of June 30, 2018 and 2017.

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.

NOTE 14—ENDOWMENT NET ASSETS (Continued)

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 sets forth a quarterly withdrawal rate of 5% on the average quarterly closing fair market value of the previous twenty 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, 2018 and 2017.

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.

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

	Unrestricted - Undesignated	Unrestricted - Board Designated	Permanently Restricted	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

NOTE 14—ENDOWMENT NET ASSETS (Continued)

Changes in net endowment assets for year ended June 30, 2017, are as follows:

	Unrestricted - Undesignated	Unrestricted - Board Designated	Permanently Restricted	Total
Investment activity:				
Interest and dividends	$ -	$ 288,202	$ 11,895	$ 300,097
Realized gains	-	22,373	923	23,296
Unrealized gains	-	2,174,327	89,738	2,264,065
Investment fees	-	(37,848)	(1,562)	(39,410)
	-	2,447,054	100,994	2,548,048
Contributions to endowments	-	860,000	-	860,000
Loaned to operations	2,000,000	(2,000,000)	-	-
Interest on loan to operations at 4%	-	6,667	-	6,667
Transfer to Board designated	-	100,994	(100,994)	-
Endowment earnings appropriation	-	(895,977)	-	(895,977)
Change in endowment net assets	2,000,000	518,738	-	2,518,738
Endowment net assets, beginning of year	-	18,106,129	789,878	18,896,007
Endowment net assets, end of year	$ 2,000,000	$ 18,624,867	$ 789,878	$ 21,414,745

Endowment net assets of $22,667,973 and $21,414,745 as of June 30, 2018 and 2017, respectively, are included in investments and cash in the accompanying consolidated statements of financial position.

NOTE 15—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 pension plan provides for a 3% contribution by the Agency. The Agency is also required to match employee contributions in excess of 3%, up to a maximum of 6%. The Agency suspended the matching contribution during the year ended June 30, 2018. Employer contributions amounted to $13,794 and $1,117,249 for the years ended June 30, 2018 and 2017, 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. GIHC has no plans to withdraw.

NOTE 15—PENSION PLANS (Continued)

According to the audited financial statements of the Plan, the actuary certified that for the Plan year beginning July 1, 2016, 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 certification of critical status was based upon the actuary’s determination that the Plan is projected to have an accumulated funding deficiency for the plan year ending June 30, 2017. 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 ant 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, 2018 and 2017, were $24,409 and $30,717, 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 7/1/14 to 6/30/15 7/1/15 to 6/30/16	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 16—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.

B. Goodwill is obligated, pursuant to various lease agreements, to approximate future minimum annual rentals for real and personal property for years ended after June 30, 2018, as follows:

2019	$ 13,496,000
2020	10,769,000
2021	8,941,000
2022	7,498,000
2023	5,576,000
Thereafter	11,094,000
	$ 57,374,000

Rent expense for real property amounted to $19,629,007 and $15,506,310 for the years ended June 30, 2018 and 2017, respectively. Rent expense for personal property amounted to $1,520,069 and $1,315,156 for the years ended June 30, 2018 and 2017, 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. Subsequent to June 30, 2018, Goodwill renewed a store lease for a ten-year term with a total commitment of approximately $5.4 million.

NOTE 16—COMMITMENTS AND CONTINGENCIES (Continued)

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, 2018 and 2017, 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 17—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, 2018 and 2017, cash and cash equivalents held in one bank exceeded FDIC limits by approximately $1,344,000 and $1,886,000, respectively. Such excess includes outstanding checks.

NOTE 18—RESTRUCTURING COSTS

During the years ended June 30, 2018 and 2017, 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 2019. The following were the estimated accrued restructuring costs as of June 30:

	2018	2017
Severance pay	$ 67,936	$ 982,834
Occupancy	7,322,157	1,491,645
Other	44,895	39,736
	$ 7,434,988	$ 2,514,215

Such amounts are reflected as accounts payable and accrued expenses on the accompanying consolidated statements of financial position. During the years ended June 30, 2018 and 2017, restructuring costs of $7,623,080 and $2,758,658, 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 19—SUBSEQUENT EVENTS

Management has evaluated events subsequent to the date of the consolidated statement of financial position through November 26, 2018, 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, 2018 AND 2017

	As of June 30, 2018				As of June 30, 2017			
	Goodwill Industries of Greater New York and Northern New Jersey, Inc.	Goodwill Industries Housing Company, Inc.	Consolidating Eliminations	Consolidated Total 2018	Goodwill Industries of Greater New York and Northern New Jersey, Inc.	Goodwill Industries Housing Company, Inc.	Consolidating Eliminations	Consolidated Total 2017
ASSETS								
Cash and cash equivalents	$ 1,075,430	$ 195,400	$ -	$ 1,270,830	$ 2,002,133	$ 181,296	$ -	$ 2,183,429
Accounts receivable, net	10,980,698	86,739	-	11,067,437	11,318,622	213,637	-	11,532,259
Pledges receivable	-	-	-	-	50,000	-	-	50,000
Inventory	3,999,638	-	-	3,999,638	4,307,003	-	-	4,307,003
Prepaid expenses, deferred charges and other	999,852	48,766	-	1,048,618	914,351	60,262	-	974,613
Due from affiliate	2,400,408	-	(2,400,408)	-	2,461,752	-	(2,461,752)	-
Assets held for sale	1,405,032	-	-	1,405,032	1,405,032	-	-	1,405,032
Investments	23,236,643	-	-	23,236,643	19,971,751	-	-	19,971,751
Mortgage escrow deposits	-	117,753	-	117,753	-	122,553	-	122,553
Reserve for replacements	-	552,517	-	552,517	-	479,592	-	479,592
Security deposits held by lessors	807,109	-	-	807,109	803,198	-	-	803,198
Tenant security deposits held	-	101,159	-	101,159	-	101,530	-	101,530
Property and equipment, net	7,428,379	2,618,730	-	10,047,109	9,066,128	2,843,495	-	11,909,623
TOTAL ASSETS	$ 52,333,189	$ 3,721,064	$ (2,400,408)	$ 53,653,845	$ 52,299,970	$ 4,002,365	$ (2,461,752)	$ 53,840,583
LIABILITIES								
Accounts payable and accrued expenses	$ 11,974,818	$ 2,629,514	$ (2,400,408)	$ 12,203,924	$ 6,039,747	$ 2,595,457	$ (2,461,752)	$ 6,173,452
Payroll taxes payable	1,241,832	-	-	1,241,832	892,208	2,035	-	894,243
Accrued salaries	986,867	4,490	-	991,357	946,814	7,757	-	954,571
Accrued vacation	1,271,163	-	-	1,271,163	1,113,564	18,850	-	1,132,414
Accrued mortgage interest	-	163,544	-	163,544	-	143,702	-	143,702
Deferred revenue/due to funding sources	3,576,971	36,429	-	3,613,400	3,593,341	-	-	3,593,341
Deferred rent	2,093,491	-	-	2,093,491	2,164,760	-	-	2,164,760
Mortgages payable	-	1,963,495	-	1,963,495	-	2,238,075	-	2,238,075
Line of credit payable	2,700,000	-	-	2,700,000	2,800,000	-	-	2,800,000
Loan payable	553,746	-	-	553,746	861,387	-	-	861,387
Tenant security deposits payable	-	101,159	-	101,159	-	101,530	-	101,530
TOTAL LIABILITIES	24,398,888	4,898,631	(2,400,408)	26,897,111	18,411,821	5,107,406	(2,461,752)	21,057,475
NET ASSETS								
Unrestricted								
Operating	5,172,369	(1,177,567)	-	3,994,802	14,379,445	(1,105,041)	-	13,274,404
Board designated for endowment	21,878,095	-	-	21,878,095	18,624,867	-	-	18,624,867
Total unrestricted	27,050,464	(1,177,567)	-	25,872,897	33,004,312	(1,105,041)	-	31,899,271
Temporarily restricted	93,959	-	-	93,959	93,959	-	-	93,959
Permanently restricted	789,878	-	-	789,878	789,878	-	-	789,878
TOTAL NET ASSETS	27,934,301	(1,177,567)	-	26,756,734	33,888,149	(1,105,041)	-	32,783,108
TOTAL LIABILITIES AND NET ASSETS	$ 52,333,189	$ 3,721,064	$ (2,400,408)	$ 53,653,845	$ 52,299,970	$ 4,002,365	$ (2,461,752)	$ 53,840,583

GOODWILL INDUSTRIES OF GREATER NEW YORK AND NORTHERN NEW JERSEY, INC. AND AFFILIATE
CONSOLIDATING SCHEDULES OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	For the Year Ended June 30, 2018				For the Year Ended June 30, 2017			
	Goodwill Industries of Greater New York and Jersey, Inc.	Goodwill Industries Housing Company, Inc.	Consolidating Eliminations	Consolidated Total 2018	Goodwill Industries of Greater New York and Jersey, Inc.	Goodwill Industries Housing Company, Inc.	Consolidating Eliminations	Consolidated Total 2017
CHANGES IN UNRESTRICTED NET ASSETS:								
OPERATING REVENUES:								
Public Support:								
Contributions	$ 572,545	$ -	$ -	$ 572,545	$ 648,954	$ -	$ -	$ 648,954
Bequests and legacies	-	-	-	-	860,000	-	-	860,000
Contributed revenue - donated goods	47,995,632	-	-	47,995,632	43,915,917	-	-	43,915,917
Net assets released from restrictions	42,500	-	-	42,500	5,003	-	-	5,003
Total Public Support	48,610,677	-	-	48,610,677	45,429,874	-	-	45,429,874
Governmental Support:								
Fees and grants from governmental agencies	23,875,888	552,597	-	24,428,485	30,868,636	591,744	-	31,460,380
Total Governmental Support	23,875,888	552,597	-	24,428,485	30,868,636	591,744	-	31,460,380
Other Revenue:								
Industrial operations	42,829,827	-	-	42,829,827	43,096,899	-	(61,344)	43,035,555
Tenant rent	-	1,865,598	(66,467)	1,799,131	-	1,940,943	(157,904)	1,783,039
Endowment earnings appropriations	886,995	-	-	886,995	895,977	-	-	895,977
Other	79,774	150,556	-	230,330	280,789	173,113	-	453,902
Total Other Revenue	43,796,596	2,016,154	(66,467)	45,746,283	44,273,665	2,114,056	(219,248)	46,168,473
TOTAL UNRESTRICTED REVENUES	116,283,161	2,568,751	(66,467)	118,785,445	120,572,175	2,705,800	(219,248)	123,058,727
OPERATING EXPENSES:								
Industrial operations	84,412,575	-	(11,141)	84,401,434	82,025,944	-	(26,466)	81,999,478
Rehabilitation and employment services	22,728,871	-	(38,544)	22,690,327	29,206,954	-	(91,567)	29,115,387
Management and administration	15,793,403	-	(15,961)	15,777,442	11,421,974	-	(37,919)	11,384,055
Other supporting services	189,537	-	-	189,537	220,799	-	-	220,799
Fundraising	383,719	-	(821)	382,898	363,350	-	(1,952)	361,398
Residential operations of affiliate	-	2,641,277	-	2,641,277	-	2,869,296	(61,344)	2,807,952
TOTAL OPERATING EXPENSES	123,508,105	2,641,277	(66,467)	126,082,915	123,239,021	2,869,296	(219,248)	125,889,069
OPERATING LOSS	(7,224,944)	(72,526)	-	(7,297,470)	(2,666,846)	(163,496)	-	(2,830,342)
NONOPERATING INCOME:								
Investment activity	1,199,827	-	-	1,199,827	1,691,481	-	-	1,691,481
Occupancy expense below lease payments (Note 2M)	71,269	-	-	71,269	60,734	-	-	60,734
TOTAL NONOPERATING INCOME	1,271,096	-	-	1,271,096	1,752,215	-	-	1,752,215
Change in Unrestricted Net Assets	(5,953,848)	(72,526)	-	(6,026,374)	(914,631)	(163,496)	-	(1,078,127)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:								
Contributions	42,500	-	-	42,500	42,500	-	-	42,500
Net assets released from restrictions	(42,500)	-	-	(42,500)	(5,003)	-	-	(5,003)
Change in Temporarily Restricted Net Assets	-	-	-	-	37,497	-	-	37,497
CHANGE IN NET ASSETS	(5,953,848)	(72,526)	-	(6,026,374)	(877,134)	(163,496)	-	(1,040,630)
Net Assets - Beginning of Year	33,888,149	(1,105,041)	-	32,783,108	34,765,283	(941,545)	-	33,823,738
NET ASSETS - END OF YEAR	$ 27,934,301	$ (1,177,567)	$ -	$ 26,756,734	$ 33,888,149	$ (1,105,041)	$ -	$ 32,783,108

See independent auditors' report.