

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

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2013

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1-2
I. Consolidated Financial Statements:	
Consolidated Statements of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5-6
Consolidated Statements of Cash Flows	7-8
Notes to Consolidated Financial Statements	9-31
II. Supplementary Information:	
Schedule of Expenditures of Federal and Other Governmental Awards	32
Notes to Schedule of Expenditures of Federal and Other Governmental Awards	33
III. Compliance Reports:	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Consolidated Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	34-35
Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	36-37
IV. Schedule of Findings and Questioned Costs:	
Schedule of Findings and Questioned Costs	38
Summary Schedule of Prior Audit Findings	39



INDEPENDENT AUDITORS' REPORT

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

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Board of Directors
Goodwill of Silicon Valley, Inc.

Report on Summarized Comparative Information

We have previously audited the Organization's 2012 financial statements, and our report dated April 10, 2013, expressed an unqualified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal and other governmental awards as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2014 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



Petrinovich Pugh & Company, LLP

San Jose, California
March 10, 2014

SECTION I
CONSOLIDATED FINANCIAL STATEMENTS

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2013 AND 2012

	2013	2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,235,043	\$ 3,428,504
Investments, at market value	3,590,336	1,258,862
Accounts receivable, net	454,938	830,005
Grants receivable	653,351	407,595
Inventories	1,472,751	1,241,615
Prepaid expenses	195,761	234,557
Total current assets	9,602,180	7,401,138
Land, buildings and equipment, net	16,998,309	16,144,118
Other assets:		
Deposits	262,948	233,724
Collection of antique items	24,280	34,280
Total other assets	287,228	268,004
Total assets	\$ 26,887,717	\$ 23,813,260
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 952,004	\$ 677,054
Accrued payroll and benefits	975,413	939,965
Other accrued liabilities	241,209	147,014
Current portion of line of credit	62,058	92,521
Current portion of notes payable	19,065	48,208
Current portion of capital lease obligations	73,577	69,011
Deferred rent	118,273	101,332
Total current liabilities	2,441,599	2,075,105
Long-term liabilities:		
Line of credit, net of current portion	2,028,272	2,613,890
Notes payable, net of current portion	4,932	-
Capital lease obligations, net of current portion	81,486	155,157
Accrued pension costs, net	1,612,515	2,175,260
Total long-term liabilities	3,727,205	4,944,307
Total liabilities	6,168,804	7,019,412
Net assets:		
Unrestricted net assets:		
Undesignated	19,309,791	15,509,986
Board designated - foundation trust fund	1,409,122	1,258,862
Total unrestricted net assets	20,718,913	16,768,848
Temporarily restricted	-	25,000
Total net assets	20,718,913	16,793,848
Total liabilities and net assets	\$ 26,887,717	\$ 23,813,260

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

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

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2013
(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED DECEMBER 31, 2012)

	Unrestricted	Temporarily Restricted	Total 2013	Summarized 2012
Public support and revenue:				
Retail programs	\$ 25,603,307	\$ -	\$ 25,603,307	\$ 22,710,537
Donated goods	8,760,447	-	8,760,447	8,999,304
Operations programs	5,950,862	-	5,950,862	6,170,512
E-commerce	2,280,456	-	2,280,456	581,350
Grants and contributions	1,848,772	-	1,848,772	1,507,711
Production programs	914,808	-	914,808	1,084,571
Rent income	304,483	-	304,483	329,452
Miscellaneous	296,427	-	296,427	403,858
Investment income	282,262	-	282,262	146,150
Vocational school fees	22,935	-	22,935	259,186
	46,264,759	-	46,264,759	42,192,631
Net assets released from restrictions	25,000	(25,000)	-	-
Total public support and revenue	46,289,759	(25,000)	46,264,759	42,192,631
Expenses:				
Program services:				
Retail programs	25,660,745	-	25,660,745	21,536,321
Cost assigned to donated goods sold	8,515,800	-	8,515,800	8,524,712
Production programs	1,339,379	-	1,339,379	1,531,372
Vocational school programs	3,268,439	-	3,268,439	2,927,117
Total program services	38,784,363	-	38,784,363	34,519,522
Supporting services:				
Management and general	3,968,250	-	3,968,250	3,667,697
Fundraising	87,529	-	87,529	77,723
Total supporting services	4,055,779	-	4,055,779	3,745,420
Total expenses	42,840,142	-	42,840,142	38,264,942
Change in net assets before pension plan investment gain (loss) and impairment	3,449,617	(25,000)	3,424,617	3,927,689
Pension plan investment gain (loss)	510,448	-	510,448	(254,530)
Impairment loss on antique collection	(10,000)	-	(10,000)	(62,500)
Change in net assets	3,950,065	(25,000)	3,925,065	3,610,659
Net assets, beginning of year	16,768,848	25,000	16,793,848	13,183,189
Net assets, end of year	\$ 20,718,913	\$ -	\$ 20,718,913	\$ 16,793,848

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

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2013

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

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

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2012

	Program Services				Supporting Services				Grand Total
	Retail Programs	Cost Assigned to Donated Goods	Production Programs	Vocational School Programs	Total	Management and General	Fundraising	Total	
Salaries and wages	\$ 10,356,001	\$ -	\$ 859,223	\$ 1,660,159	\$ 12,875,383	\$ 1,495,066	\$ 55,876	\$ 1,550,942	\$ 14,426,325
Employee benefits	1,682,258	-	188,021	236,017	2,106,296	423,968	10,216	434,184	2,540,480
Payroll taxes	906,928	-	73,909	135,180	1,116,017	87,008	5,229	92,237	1,208,254
Total salaries and related expenses	12,945,187		1,121,153	2,031,356	16,097,696	2,006,042	71,321	2,077,363	18,175,059
Cost assigned to donated goods sold	-	8,524,712	-	-	8,524,712	-	-	-	8,524,712
Occupancy	4,269,600	-	128,809	106,249	4,504,658	355,401	28	355,429	4,860,087
Raw materials and supplies	2,097,927	-	71,959	258,379	2,428,265	56,693	117	56,810	2,485,075
Transportation	563,222	-	68,218	2,391	633,831	3,770	-	3,770	637,601
Professional services	184,305	-	38,116	393,829	616,250	500,852	6,219	507,071	1,123,321
Printing and publications	60,458	-	17,042	24,723	102,223	152,759	-	152,759	254,982
Dues and subscriptions	1,543	-	3,141	2,830	7,514	178,673	-	178,673	186,187
Telephone	154,365	-	12,951	36,147	203,463	44,745	14	44,759	248,222
Interest	15,731	-	4,273	(69)	19,935	158,110	-	158,110	178,045
Conferences and meetings	88,510	-	1,982	37,914	128,406	77,215	17	77,232	205,638
Postage and shipping	128,750	-	4,722	1,519	134,991	5,661	-	5,661	140,652
Total expenses before depreciation and amortization	20,509,598	8,524,712	1,472,366	2,895,268	33,401,944	3,539,921	77,716	3,617,637	37,019,581
Depreciation and amortization	1,026,723	-	59,006	31,849	1,117,578	127,776	7	127,783	1,245,361
	<u>\$ 21,536,321</u>	<u>\$ 8,524,712</u>	<u>\$ 1,531,372</u>	<u>\$ 2,927,117</u>	<u>\$ 34,519,522</u>	<u>\$ 3,667,697</u>	<u>\$ 77,723</u>	<u>\$ 3,745,420</u>	<u>\$ 38,264,942</u>
Percentage of total	<u>56.3%</u>	<u>22.3%</u>	<u>4.0%</u>	<u>7.6%</u>	<u>90.2%</u>	<u>9.6%</u>	<u>0.2%</u>	<u>9.8%</u>	<u>100.0%</u>

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
Cash flows from operating activities:		
Change in net assets	\$ 3,925,065	\$ 3,610,659
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	1,500,575	1,245,361
Change in donated inventories	(98,156)	(139,593)
Net realized and unrealized gains on investments	(233,251)	(116,884)
Impairment loss on antique clothing	10,000	62,500
(Increase) decrease in assets:		
Accounts receivable	375,067	186,714
Grants receivable	(245,756)	189,695
Purchased inventories	(132,980)	(265,812)
Prepaid expenses	38,796	(30,497)
Deposits	(29,224)	(38,655)
Increase (decrease) in liabilities:		
Accounts payable	274,950	(74,320)
Accrued payroll and benefits	35,448	204,099
Other accrued liabilities	94,195	28,552
Deferred rent	16,941	68,782
Accrued pension costs	(562,745)	196,457
Net cash provided by operating activities	4,968,925	5,127,058
Cash flows from investing activities:		
Purchases of land, buildings and equipment	(2,307,156)	(3,234,131)
Purchases of investments	(2,313,590)	(392,616)
Proceeds from sale of investments	167,756	30,000
Net cash used for investing activities	(4,452,990)	(3,596,747)
Cash flow from financing activities:		
Net draw downs / (principal payments) on line of credit	(616,081)	299,127
Principal payments on notes payable	(24,211)	(193,860)
Principal payments on capital lease obligations	(69,104)	(62,929)
Net cash (used for) provided by financing activities	(709,396)	42,338
Net (decrease) increase in cash and cash equivalents	(193,461)	1,572,649
Cash and cash equivalents, beginning of year	3,428,504	1,855,855
Cash and cash equivalents, end of year	\$ 3,235,043	\$ 3,428,504

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

Supplemental disclosures of cash flow information:

	<u>2013</u>	<u>2012</u>
Cash paid during the year for:		
Interest	<u>\$ 146,843</u>	<u>\$ 178,045</u>

Supplemental disclosures of noncash investing and financing activities:

During the years ended December 31, 2013 and 2012 the Organization disposed of fully depreciated property and equipment with a cost of \$48,295 and \$765,377, respectively.

During the years ended December 31, 2013 and 2012, the Organization transferred \$336,391 and \$761,730, respectively, from work in process to land, building and equipment.

During the year ended December 31, 2012, the Organization entered into two capital lease agreements for a total of \$13,251 for the purchase of equipment.

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

NOTE A - ORGANIZATION

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

NOTE B - PROGRAM SERVICES

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

GoodEx Services, Inc. (GES) was organized in October 2009 for the purpose of plant-based shredding service for businesses and government located in and around the Silicon Valley.

Retail Programs - Perhaps the most familiar face of Goodwill, this division processes and sells donated used goods through 19 retail stores, provides employment opportunities and contributes the most to the financial needs to operate the training programs offered by the Institute for Career Development. Retail Programs employ approximately 350 individuals at 19 retail stores and 48 donation collection sites.

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

NOTE B - PROGRAM SERVICES (CONTINUED)

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

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

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

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

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

NOTE B - PROGRAM SERVICES (CONTINUED)

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

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

NOTE C - SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

NOTE C - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued) -

Temporarily restricted net assets include those assets which are subject to donor purpose and/or time restriction and for which the applicable restriction was not met as of the year end of the current reporting period. The Organization's temporarily restricted net assets consisted solely of a grant from the United Way which was used for the Organization's vocational programs. The restrictions were released when it was determined by the United Way that services had been rendered in accordance with the grant agreement.

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

The financial statements include certain prior year summarized comparative information in total but not by net asset class or program and supporting service classifications. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2012, from which the summarized information was derived.

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

NOTE C - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts, Grants Receivable and Allowance for Doubtful Accounts - Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts or grants receivable. Changes in the valuation allowance have not been material to the financial statements. The allowance for doubtful accounts balance as of December 31, 2013 and 2012 was \$31,492 and \$11,363, respectively.

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

Inventories - Inventories, except for donated merchandise held for resale, are valued at the lower of cost (first-in, first-out) or market. Inventories costs of purchased goods include freight-in, assembly, and improvement costs, if any. Purchased inventories are valued based on physical counts, less an estimated allowance for obsolescence. The allowance for obsolescence balance as of December 31, 2013 and 2012 was \$60,278 and \$44,717, respectively.

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

NOTE C - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Accrued Vacation - Accrued vacation represents vacation earned, but not taken as of December 31, 2013 and 2012, and is included in "Accrued payroll and benefits" in the statements of financial position. The accrued vacation balance as of December 31, 2013 and 2012 was \$386,176 and \$388,042, respectively.

Deferred Rent - As of December 31, 2013, twelve retail stores and one attended donation station are leased under operating leases expiring on various dates through 2026. These operating leases generally have fluctuating payments over the life of the lease. Accordingly, Goodwill has recorded the lease expense on a straight-line basis and has recorded the excess of the straight-line expense over the amount paid as deferred rent.

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

NOTE C - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions In-Kind - Non-Inventory - Contributions in-kind - non-inventory are recognized in accordance with the provisions of ASC 958. Donated equipment and other donated goods are recorded at their estimated fair value as of the date of the donation. Contributed services, which require a specialized skill and which the Organization would have paid for if not donated, are recorded at the estimated fair value at the time the services are rendered. During the years ended December 31, 2013 and 2012, the Organization received free use of lots where attended donation stations are located. The Organization has valued the use of the lots at approximately \$125,000 and \$156,000, respectively. The contribution for the years ended December 31, 2013 and 2012 was recorded to rent revenue and rent expense.

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

Advertising - The Organization's policy is to expense advertising costs as the costs are incurred. Advertising expense for the years ended December 31, 2013 and 2012 were approximately \$285,000 and \$152,000, respectively.

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

The Organization accounts for the requirements associated with uncertainty in income taxes using the provisions of FASB ASC 740-10-25 *Recognition of Income Taxes*. Accordingly, an entity shall initially recognize the financial statement effects of a tax position when it is more-likely-than not, based on the technical merits, that the position will be sustained upon examination. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of December 31, 2013, the Organization has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

NOTE C - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations of Credit Risk - Financial instruments that potentially subject the Organization to credit risk consist primarily of cash and cash equivalents and investments. The Organization maintains a majority of its cash in a business checking account and in bank deposit accounts that, at times, may exceed the federally insured limit of \$250,000. The Organization has not experienced any losses in such accounts. Risk associated with cash is mitigated by maintaining deposits at credit worthy financial institutions. As of December 31, 2013 and 2012, the Organization had approximately \$2,940,000 and \$3,166,000, respectively, in deposits in excess of the federally insured limit.

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

In 2012, management determined that the collection of antique clothing had a fair market value below its carrying value, and recorded a \$62,500 impairment loss. In 2013, the collection was further impaired to more accurately represent its fair market value. The Organization recorded a \$10,000 impairment loss during the year ended December 31, 2013.

Subsequent Events - ASC 855-10, *Subsequent Events*, requires additional disclosure for events or transactions that occur after the balance sheet date. In March 2013, management has elected to stop servicing the NISH contracts related to GES operations effective April 1, 2013. During 2014 management intends to consolidate GES operations with the Organization's main operations and it is the intention of management that all open balances on NISH loans will be repaid in 2014. Other than the GES consolidation, there are no additional significant subsequent events through March 10, 2014.

NOTE D - INVESTMENTS

The Organization uses Silicon Valley Community Foundation (SVCF), a California nonprofit benefit corporation, to manage, hold in trust and invest certain assets of Goodwill, for public, educational and charitable purposes. The fund is known as the "The Goodwill Foundation Trust". According to the agreement, SVCF shall hold, manage, invest, and reinvest in the fund, shall collect the income, and shall pay and disburse amounts to the Organization in accordance with the policies of the SVCF upon the request of the Organization.

The SVCF shall at all times act as the agent and trustee of Goodwill for the investment and management purpose, and so long as the Organization has an IRS charitable tax exemption, Goodwill's Board of Directors may direct the expenditure of any or all of the principal or income from the fund. The principal and accumulated income and interest at all times shall be owned by Goodwill.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

NOTE D - INVESTMENTS (CONTINUED)

Subsequent to year end, all investments held in SVCF have been transferred to Enterprise Trust.

In 2013, the Board of Directors approved the transfer of excess cash from Goodwill's operating account to Enterprise Trust, a California incorporated banking institution. As of December 31, 2013, Goodwill has \$1,602,214 in cash and cash equivalents and \$2,181,214 in investments with Enterprise Trust.

The market value of investments held in SVCF and Enterprise Trust as of December 31, 2013 and 2012 consist of the following:

	<u>2013</u>	<u>2012</u>
Board designated investments:		
Domestic equities	\$ 704,561	\$ 339,893
Fixed income	324,098	314,716
Private equity	211,368	125,886
Hedged equity and commodities	169,095	251,772
Foreign equities	-	226,595
Total board designated investments	<u>1,409,122</u>	<u>1,258,862</u>
Undesignated investments:		
Fixed income	1,521,575	-
Domestic equities	584,023	-
Foreign equities	75,616	-
Total undesignated investments	<u>2,181,214</u>	<u>-</u>
	<u>\$ 3,590,336</u>	<u>\$ 1,258,862</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

NOTE D - INVESTMENTS (CONTINUED)

Investments activity during the years ended December 31, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Board designated investments, beginning of year	\$ 1,258,862	\$ 780,121
Investment return:		
Interest and dividend income	13,573	12,928
Realized and unrealized gains	191,647	116,884
Administrative expenses	<u>(19,960)</u>	<u>(15,966)</u>
Total investment return	<u>185,260</u>	<u>113,846</u>
Funds transferred to investments	-	394,895
Appropriation of endowment assets for expenditures	<u>(35,000)</u>	<u>(30,000)</u>
Board designated investments, end of year	<u><u>\$ 1,409,122</u></u>	<u><u>\$ 1,258,862</u></u>
Undesignated investments, beginning of year	\$ -	\$ -
Investment return:		
Interest and dividend income	35,438	-
Realized and unrealized gains	41,604	-
Administrative expenses	<u>(12,530)</u>	<u>-</u>
Total investment return	<u>64,512</u>	<u>-</u>
Funds transferred to investments	<u>2,116,702</u>	<u>-</u>
Undesignated investments, end of year	<u><u>\$ 2,181,214</u></u>	<u><u>\$ -</u></u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

NOTE E - INVENTORIES

Inventories as of December 31, consists of the following:

	<u>2013</u>	<u>2012</u>
Donated merchandise	\$ 931,124	\$ 832,968
Purchased merchandise	596,405	445,864
Donated automobiles	5,500	7,500
Allowance for obsolescence	<u>(60,278)</u>	<u>(44,717)</u>
	<u>\$ 1,472,751</u>	<u>\$ 1,241,615</u>

NOTE F - LAND, BUILDINGS AND EQUIPMENT

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

	<u>2013</u>	<u>2012</u>
Land and buildings	\$ 23,587,858	\$ 22,375,405
Leasehold improvements	2,215,190	2,131,432
Equipment	<u>6,568,341</u>	<u>5,571,862</u>
	32,371,389	30,078,699
Less: accumulated depreciation and amortization	<u>(15,675,670)</u>	<u>(14,270,972)</u>
	16,695,719	15,807,727
Work in process	<u>302,590</u>	<u>336,391</u>
	<u>\$ 16,998,309</u>	<u>\$ 16,144,118</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

NOTE G - LINES OF CREDIT

The Organization entered into a \$7,000,000 line of credit agreement with Heritage Bank of Commerce. The line of credit is secured by real property owned in San Jose, California and bears interest at a fixed rate of 5.15%. The availability of this new line of credit is limited to the pay-off of one of the Organization's previous notes payable and to provide additional funds to improve various store locations including the Organization's headquarters and warehouse. As of December 31, 2013, the outstanding balance on the line of credit is \$2,090,330. The initial 18 month draw down period ran between November 2011 and April 2013, and was extended 9 months through January 2014. During the draw down period, the Organization's monthly principal and interest payments were calculated each month based on the current principal outstanding using a 240 month amortization period. Beginning February 2014 a fixed monthly principal and interest payment was set using a 240 month amortization period. These monthly principal and interest payments will continue through October 2016 at which time all remaining unpaid principal and interest will be due. The line of credit also requires that the Organization comply with certain financial covenants all of which were met as of December 31, 2013 and 2012.

Future minimum principal payments are as follows:

Year ending December 31,	
2014	\$ 62,058
2015	64,555
2016	<u>1,963,717</u>
	2,090,330
Less current portion	<u>(62,058)</u>
	<u>\$ 2,028,272</u>

The Organization had a \$500,000 line of credit agreement with Heritage Bank of Commerce. The line of credit was secured by real property owned in San Jose, California as well as an assignment of rents. The line of credit bore interest at prime plus 2% with a floor rate of 5.25% and expired in October 2012.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

NOTE H – NOTES PAYABLE

Notes payable as of December 31, consists of the following:

	2013	2012
Note payable between GES and NISH Corporation, the loan is interest free and has a five-year term, initial down payment of \$10,000 and quarterly payments of principal and imputed interest of \$5,000 thereafter commencing September 30, 2010, secured by inventories and equipment, maturing March 2015.	\$ 23,997	\$ 42,043
Note payable between GES and NISH Corporation for \$75,000. The loan was interest free and had a three-year term, initial down payment of \$12,500 and quarterly payments of principal and imputed interest of \$6,250 thereafter commencing September 30, 2010, and was secured by inventories and equipment. The loan was paid off in its entirety in March 2013.	-	6,165
	23,997	48,208
Less current portion	19,065	-
	\$ 4,932	\$ 48,208

Future minimum principal payments are as follows:

Year ending December 31,	
2014	\$ 19,065
2015	4,932
	\$ 23,997

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

NOTE I - COMMITMENTS AND CONTINGENCIES

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

Year ending December 31,		
2014	\$	2,300,784
2015		2,070,036
2016		1,426,722
2017		906,787
2018		713,887
Thereafter		<u>3,314,098</u>
	<u>\$</u>	<u>10,732,314</u>

Rent expense under the operating leases for the years ended December 31, 2013 and 2012 was approximately \$2,302,000 and \$2,123,000, respectively.

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

Year ending December 31,		
2014	\$	98,439
2015		94,329
2016		<u>50,362</u>
	<u>\$</u>	<u>243,130</u>

Rent income recognized under the subleases for the years ended December 31, 2013 and 2012 was approximately \$154,000 and \$152,000, respectively.

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

NOTE I - COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

Year ending December 31,		
2014	\$	81,457
2015		81,194
2016		2,166
2017		1,348
Total minimum lease payments		<u>166,165</u>
Less amount representing interest		<u>(11,102)</u>
Present value of net minimum lease payments		155,063
Less current portion		<u>(73,577)</u>
	\$	<u>81,486</u>

As of December 31, 2013 land, buildings and equipment includes equipment purchased under capital leases with an original cost of \$347,270 and \$202,417 in accumulated depreciation.

Lease Guarantees for Goodwill of Southern Nevada, Inc. - In November 2003, the Organization agreed to guarantee the lease payments for a Goodwill of Southern Nevada, Inc. facility for five years with a five-year option to extend the lease. The lease was extended in 2008. The Organization was not directly responsible for making the monthly lease payments of \$10,181 for the facility, but in the event of default by Goodwill of Southern Nevada, Inc., the Organization might have been joined in any action against Goodwill of Southern Nevada, Inc. related to the lease and might have been responsible for any claims. As of October 2013, the Organization was released from its guarantee.

Unemployment Benefits - Goodwill is self-insured for unemployment benefits given to former employees. Management has estimated the amount of benefits expected to be paid by Goodwill subsequent to December 31, 2013, with respect to claims related to 2013 and prior years. The amount accrued for unemployment benefits at December 31, 2013 and 2012 was \$44,745 and \$52,907, respectively. These amounts are included in "Accrued payroll and benefits" in the accompanying statements of financial position.

NOTE J - RETIREMENT PLANS

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

NOTE J - RETIREMENT PLANS (CONTINUED)

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

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

Based on an actuarial study performed by Nicolay Consulting Group, net pension cost as of December 31, included the following components:

	<u>2013</u>	<u>2012</u>
Interest cost	\$ 180,339	\$ 197,261
Expected return on assets	(167,714)	(157,834)
Net amortization and deferral	<u>211,078</u>	<u>151,500</u>
Net pension cost	<u>\$ 223,703</u>	<u>\$ 190,927</u>

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

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

	<u>2013</u>	<u>2012</u>
Actuarial (gain) loss on obligations	\$ (247,335)	\$ 434,430
Actuarial gain on plan assets	<u>(88,721)</u>	<u>(28,400)</u>
Actuarial (gain) loss	(336,056)	406,030
Unrecognized cumulative loss at January 1	2,079,719	1,825,189
Cumulative loss recognized in net pension cost	<u>(174,392)</u>	<u>(151,500)</u>
Unrecognized cumulative loss at December 31	<u>\$ 1,569,271</u>	<u>\$ 2,079,719</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

NOTE J - RETIREMENT PLANS (CONTINUED)

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

<u>Change in benefit obligation:</u>	<u>2013</u>	<u>2012</u>
Projected benefit obligation (PBO) at end of year	\$ 4,173,316	\$ 4,494,278
<u>Change in plan assets (cash basis):</u>	<u>2013</u>	<u>2012</u>
Fair value of plan assets at beginning of year	\$ 2,319,018	\$ 2,166,420
Actual return on plan assets (pension plan investment income)	281,305	209,721
Employer cash contributions	276,000	249,000
Benefits paid	(255,302)	(213,551)
Investment fees	(24,870)	(23,487)
Administration fees	(35,350)	(69,085)
Fair value of plan assets at end of year	<u>2,560,801</u>	<u>2,319,018</u>
Funded status	<u>\$ (1,612,515)</u>	<u>\$ (2,175,260)</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

NOTE J - RETIREMENT PLANS (CONTINUED)

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

	<u>2013</u>	<u>2012</u>
Accrued pension costs, net	<u>\$ 1,612,515</u>	<u>\$ 2,175,260</u>
 <u>Weighted average assumptions used to measure benefit obligations at December 31:</u>		
	<u>2013</u>	<u>2012</u>
Discount rate (pre-retirement/post retirement)	4.63%	3.78%
Expected annual rate of compensation increase	0%	0%
Expected annual rate of increase in compensation and benefit limits	0%	0%
Pre-retirement mortality	None	None
Post-retirement mortality	2013 Applicable	2012 Applicable
 <u>Weighted average assumptions used to determine net periodic pension cost at December 31:</u>		
	<u>2013</u>	<u>2012</u>
Discount rate (pre-retirement/post retirement)	3.78%	4.49%
Long-term expected rate of return on plan assets	7.00%	7.00%
Expected annual rate of compensation increase	0%	0%
Expected annual rate of increase in compensation and benefit limits	0%	0%
Post-retirement mortality	2012 Applicable	2011 Applicable

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

NOTE J - RETIREMENT PLANS (CONTINUED)

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

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

<u>Asset category:</u>	2013	2012
Cash and money market funds	\$ 130,927	\$ 92,790
Bonds and annuities	257,912	207,908
Pooled mutual funds	178,001	278,615
Stocks	1,140,574	872,232
Government securities	853,387	867,473
	\$ 2,560,801	\$ 2,319,018
 <u>Plan assets % allocation:</u>		
Cash and money market funds	5.1%	4.0%
Bonds and annuities	10.1%	9.0%
Pooled mutual funds	7.0%	12.0%
Stocks	44.5%	37.6%
Government securities	33.3%	37.4%
	100.0%	100.0%

Estimated future benefit payments through 2023:

Year ending December 31,	
2014	\$ 223,100
2015	191,952
2016	222,097
2017	228,594
2018	283,081
2019-2023	1,308,177
	\$ 2,457,001

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

NOTE K - FAIR VALUE MEASUREMENTS

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

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

Level 2 - Inputs to the valuation methodology include:

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

NOTE K - FAIR VALUE MEASUREMENTS (CONTINUED)

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2013:

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

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

NOTE K - FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	\$ -	\$ 883,721	\$ 375,141	\$ 1,258,862
Antique collection	-	-	34,280	34,280

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

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

The following tables set forth a summary of changes in the fair value of the Organization's level 3 assets and liabilities for the year ended December 31, 2012:

	<u>Investments</u>	<u>Antique Collection</u>
Balance, December 31, 2012	\$ 225,449	\$ 96,780
Impairment loss	-	(62,500)
Net change in investments held by SVCF	<u>149,692</u>	<u>-</u>
Balance, December 31, 2013	<u>\$ 375,141</u>	<u>\$ 34,280</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

NOTE L - RELATED PARTIES

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

SECTION II
SUPPLEMENTARY INFORMATION

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

SCHEDULE OF EXPENDITURES OF FEDERAL AND OTHER GOVERNMENTAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2013

	Federal CFDA Number	Pass-through Grantor's Number/ Grant Number	Grant Period/Period In Current Fiscal Year	Award Amount	Revenue	Expenditures	Type of Program
<u>FEDERAL ASSISTANCE:</u>							
<u>U.S. Department of Labor</u>							
Direct Program:							
Homeless Veterans Reintegration Project	17.805	SD22158HV1	8/15/11 - 9/11/11	\$ 10,000	\$ 10,000	\$ 10,000	
Homeless Veterans Reintegration Project	17.805	HV-20690-10-60-5-6	7/1/11 - 6/30/12	300,000	16,917	16,917	
Homeless Veterans Reintegration Project	17.805	HV-20690-10-60-5-7	7/1/12 - 6/30/13	300,000	178,429	178,429	
Total U.S. Department of Labor				<u>610,000</u>	<u>205,346</u>	<u>205,346</u>	Nonmajor
<u>Emergency Food and Shelter Programs</u>							
Direct Program:							
FEMA Funds	97.024	088000 -063	1/15/13 - 3/31/13	31,968	31,968	31,968	
FEMA Funds	97.024	088000 -063	12/15/2013 - 3/31/14	16,766	3,881	3,881	
Total Emergency Food and Shelter Programs				<u>48,734</u>	<u>35,849</u>	<u>35,849</u>	Nonmajor
<u>US Department of Veterans Affairs</u>							
Direct Program:							
Supportive Services for Veteran Families	64.033	11-CA-280	10/01/12 - 9/30/13	420,000	321,605	321,605	
Supportive Services for Veteran Families	64.033	R12-CA-280	10/01/13 - 9/30/14	447,000	129,413	129,413	
Total U.S. Department of Labor				<u>867,000</u>	<u>451,018</u>	<u>451,018</u>	Major
<u>U.S. Department of Education</u>							
Twenty-First Century Community Learning Centers:							
Pass through:							
State of California Department of Education	84.287C	13-14535-V927-8A	7/1/13 - 12/31/14	750,000	252,622	252,622	
State of California Department of Education	84.287C	12-14535-V927-6A	7/1/12 - 12/31/13	249,730	44,700	44,700	
State of California Department of Education	84.287C	13-14535-V927-6A	7/1/13 - 12/31/14	249,730	123,586	123,586	
State of California Department of Education	84.287C	12-14535-V927-6B	7/1/12 - 12/31/13	242,473	32,774	32,774	
State of California Department of Education	84.287C	13-14535-V927-6B	7/1/13 - 12/31/14	187,924	155,797	155,797	
State of California Department of Education	84.287C	12-14604-V927-6B	7/1/12 - 12/31/13	19,870	13,931	13,931	
State of California Department of Education	84.287C	13-14604-V927-6B	7/1/13 - 12/31/14	19,870	-	-	
Total U.S. Department of Education				<u>1,719,597</u>	<u>623,410</u>	<u>623,410</u>	Major
<u>Corporation for National and Community Service</u>							
Social Innovation Fund Program:							
Pass Through:							
Roberts Enterprise Development Fund (REDF)	94.019	01-GSV-01	4/1/13 - 12/31/13	197,258	70,806	70,806	
Total Corporation for National and Community Service				<u>197,258</u>	<u>70,806</u>	<u>70,806</u>	Nonmajor
Total federal assistance				<u>3,442,589</u>	<u>1,386,429</u>	<u>1,386,429</u>	
<u>NON-FEDERAL ASSISTANCE:</u>							
City of San Jose - Recycling Diversion Support Services	N/A	N/A	7/1/12 - 6/30/13	249,323	29,210	29,210	
City of San Jose - Recycling Diversion Support Services	N/A	N/A	4/1/13 - 3/31/14	249,323	216,173	216,173	
County of Santa Clara - New Opportunity Work Program	N/A	N/A	8/13/13 - 6/30/14	303,459	135,740	135,740	
Total others				<u>802,105</u>	<u>381,123</u>	<u>381,123</u>	
Total non-federal assistance				<u>802,105</u>	<u>381,123</u>	<u>381,123</u>	
Total governmental assistance				<u>\$ 4,244,694</u>	<u>\$ 1,767,552</u>	<u>\$ 1,767,552</u>	

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

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

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL
AND OTHER GOVERNMENTAL AWARDS**

DECEMBER 31, 2013 AND 2012

NOTE A - BASIS OF PRESENTATION:

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

SECTION III
COMPLIANCE REPORTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Goodwill of Silicon Valley, Inc. and related entity GoodEx, Inc. (collectively, the Organization), which comprise the consolidated statements of financial position as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 10, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Board of Directors
Goodwill of Silicon Valley, Inc.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Petrinovich Pugh & Company, LLP

San Jose, California
March 10, 2014

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

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

Report on Compliance for Each Major Federal Program

We have audited Goodwill of Silicon Valley, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Goodwill of Silicon Valley, Inc.'s major federal programs for the year ended December 31, 2013. Goodwill of Silicon Valley, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Goodwill of Silicon Valley, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Goodwill of Silicon Valley, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Goodwill of Silicon Valley, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Goodwill of Silicon Valley, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of Goodwill of Silicon Valley, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Goodwill of Silicon Valley, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Goodwill of Silicon Valley, Inc.'s internal control over compliance.

Report on Internal Control Over Compliance (Continued)

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

We have audited the consolidated financial statements of Goodwill of Silicon Valley, Inc. as of and for the year ended December 31, 2013, and have issued our report thereon dated March 10, 2014, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



Petrinovich Pugh & Company, LLP

San Jose, California
March 10, 2014

SECTION IV

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2013

SUMMARY OF AUDIT RESULTS:

1. The auditors' report expresses an unqualified opinion on the consolidated financial statements of Goodwill of Silicon Valley, Inc.
2. No significant deficiencies relating to the audit of the consolidated financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the consolidated financial statements of Goodwill of Silicon Valley, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for Goodwill of Silicon Valley, Inc. expresses an unqualified opinion on all major federal programs.
6. There are no audit findings relating to major programs that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The program tested as a major program was: Twenty-First Century Community Learning Centers - CFDA 84.287C, Grant No. 13-14535-V927-8A, 12-14535-V927-6A, 13-14535-V927-6A, 12-14535-V927-6B, 13-14535-V927-6B, 12-14604-V927-6B, and 13-14604-V927-6B.
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Goodwill of Silicon Valley, Inc. qualified as a low-risk auditee.

FINDINGS - CONSOLIDATED FINANCIAL STATEMENTS AUDIT:

NONE

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT:

NONE

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2013

There were no prior year findings from the previous audit reports requiring follow up during the year ended December 31, 2012.