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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

DECEMBER 31, 2017 AND 2016

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Goodwill of Silicon Valley and related entity, GoodEx, Inc. (collectively, the Organization) which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal and other governmental awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2018 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Petrinovich Pugh & Company, LLP

Petrinovich Pugh & Company, LLP

San Jose, California
March 9, 2018

SECTION I

CONSOLIDATED FINANCIAL STATEMENTS

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,798,520	$ 2,065,529
Investments, at market value	6,476,724	6,069,414
Accounts receivable, net	737,566	799,354
Grants receivable	622,253	590,580
Advances receivable - related party	50,000	-
Inventories, net	1,712,560	1,823,036
Prepaid expenses	581,008	489,702
Total current assets	11,978,631	11,837,615
Land, buildings and equipment, net	20,911,244	20,856,226
Other assets:		
Restricted cash	303,625	301,202
Deposits	113,930	93,277
Total other assets	417,555	394,479
Total assets	$ 33,307,430	$ 33,088,320
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 1,183,702	$ 782,614
Accrued payroll and benefits	1,450,979	1,373,900
Other accrued liabilities	824,723	658,107
Total current liabilities	3,459,404	2,814,621
Long-term liabilities:		
Accrued pension costs, net	1,320,023	1,767,510
Deferred rent	130,082	117,843
Total long-term liabilities	1,450,105	1,885,353
Total liabilities	4,909,509	4,699,974
Net assets without donor restrictions	28,397,921	28,388,346
Total liabilities and net assets	$ 33,307,430	$ 33,088,320

See accompanying notes and independent auditors' report

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

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Public support and revenue:		
Retail programs	$ 29,656,055	$ 28,862,673
Donated goods	5,624,164	7,841,673
E-commerce	4,581,445	4,733,294
Grants and contributions	4,083,112	3,831,359
Operations programs	4,043,322	4,197,884
Contract and business service programs	1,939,889	1,868,615
Rent income	364,375	326,765
Investment income, net	246,901	110,696
Miscellaneous	244,816	342,144
(Loss) gain on sale of property and equipment	(2,798)	2,135,483
Total public support and revenue	50,781,281	54,250,586
Expenses:		
Program services:		
Retail programs	34,069,792	31,171,218
Cost assigned to donated goods sold	5,813,660	7,664,903
Vocational school programs	5,137,236	4,859,923
Contract and business service programs	2,241,523	2,249,142
Total program services	47,262,211	45,945,186
Supporting services:		
Management and general	3,626,571	4,073,297
Fundraising	60,428	57,445
Total supporting services	3,686,999	4,130,742
Total expenses	50,949,210	50,075,928
Change in net assets before pension plan investment gain (loss)	(167,929)	4,174,658
Pension-related changes other than net periodic benefit costs	177,504	(145,168)
Change in net assets	9,575	4,029,490
Net assets, beginning of year	28,388,346	24,358,856
Net assets, end of year	$ 28,397,921	$ 28,388,346

See accompanying notes and independent auditors' report

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2017

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

See accompanying notes and independent auditors' report

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Serivces					Supporting Services			
	Retail Programs	Cost Assigned to Donated Goods	Contract and Business Service Programs	Vocational School Programs	Total	Management and General	Fundraising	Total	Grand Total
Salaries and w ages	$ 14,466,247	$ -	$ 1,317,848	$ 2,328,666	$ 18,112,761	$ 2,025,749	$ 42,493	$ 2,068,242	$ 20,181,003
Employee benefits	1,916,689	-	203,725	268,979	2,389,393	243,044	9,705	252,749	2,642,142
Payroll taxes	1,178,407	-	105,766	180,882	1,465,055	103,015	3,247	106,262	1,571,317
Total salaries and related expenses	17,561,343	-	1,627,339	2,778,527	21,967,209	2,371,808	55,445	2,427,253	24,394,462
Cost assigned to donated goods sold	-	7,664,903	170	-	7,665,073	-	-	-	7,665,073
Occupancy	5,830,408	-	228,095	151,229	6,209,732	268,978	-	268,978	6,478,710
Raw materials and supplies	3,320,132	-	132,253	373,731	3,826,116	84,479	-	84,479	3,910,595
Professional services	829,047	-	11,219	1,388,884	2,229,150	471,047	2,000	473,047	2,702,197
Postage and shipping	830,579	-	1,656	167	832,402	4,423	-	4,423	836,825
Transportation	637,447	-	73,663	2,450	713,560	2,312	-	2,312	715,872
Advertising and marketing	42,147	-	28,505	11,519	82,171	382,419	-	382,419	464,590
Telephone	259,437	-	17,117	39,890	316,444	24,583	-	24,583	341,027
Conferences and meetings	73,525	-	4,852	45,494	123,871	150,982	-	150,982	274,853
Dues and subscriptions	1,057	-	37	1,134	2,228	196,855	-	196,855	199,083
Interest	-	-	-	2	2	51,181	-	51,181	51,183
Total expenses before depreciation and amortization	29,385,122	7,664,903	2,124,906	4,793,027	43,967,958	4,009,067	57,445	4,066,512	48,034,470
Depreciation and amortization	1,786,096	-	124,236	66,896	1,977,228	64,230	-	64,230	2,041,458
	$ 31,171,218	$ 7,664,903	$ 2,249,142	$ 4,859,923	$ 45,945,186	$ 4,073,297	$ 57,445	$ 4,130,742	$ 50,075,928
Percentage of total	61.2%	15.0%	4.4%	9.5%	90.2%	8.0%	0.1%	8.1%	98.3%

See accompanying notes and independent auditors' report

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	$ 9,575	$ 4,029,490
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	2,081,225	2,041,458
Loss (gain) on the sale of property and equipment	2,798	(2,135,483)
Decrease (increase) in donated inventories	76,481	(118,522)
Net realized and unrealized (gain) loss on investments	(61,166)	31,582
(Increase) decrease in assets:		
Accounts receivable	61,788	181,599
Grants receivable	(31,673)	379,907
Advances receivable - related party	(50,000)	-
Purchased inventories	33,995	4,292
Prepaid expenses	(91,306)	(237,190)
Deposits	(20,653)	(22,583)
Increase (decrease) in liabilities:		
Accounts payable	401,088	80,971
Accrued payroll and benefits	77,079	(91,500)
Other accrued liabilities	166,616	192,799
Accrued pension costs	(447,487)	12,719
Deferred rent	12,239	135,481
Intermediary funds payable	-	110,473
Net cash provided by operating activities	2,220,599	4,595,493
Cash flows from investing activities:		
Purchases of property and equipment	(2,139,041)	(3,047,149)
Purchases of investments	(1,121,523)	(2,719,648)
Proceeds from sale of investments	775,379	929,428
Proceeds from sale of property and equipment	-	2,460,295
Net cash used for investing activities	(2,485,185)	(2,377,074)
Cash flow from financing activities:		
Principal payments on notes payable	-	(1,228,803)
Principal payments on capital lease obligations	-	(3,371)
Net cash used for financing activities	-	(1,232,174)
Net (decrease) increase in cash, cash equivalents, and restricted cash	(264,586)	986,245
Cash, cash equivalents and restricted cash, beginning of year	2,366,731	1,380,486
Cash, cash equivalents and restricted cash, end of year	$ 2,102,145	$ 2,366,731

See accompanying notes and independent auditors' report

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

Supplemental disclosures of cash flow information:	2017	2016
Cash paid during the year for:		
Interest	$ 73	$ 51,183

Supplemental disclosures of noncash investing and financing activities:

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

During the year ended December 31, 2016 the Organization disposed of property and equipment with an original cost of $1,584,679 and accumulated depreciation of $1,435,813.

During the years ended December 31, 2017 and 2016, the Organization transferred $730,803 and $3,155,600, respectively, from work in process to land, building and equipment.

NOTE A - ORGANIZATION

Goodwill of Silicon Valley, formerly Goodwill Industries of Santa Clara County ("Goodwill" or the "Organization") is a California nonprofit public benefit corporation founded in 1926 and serves Santa Clara and San Benito Counties. The Organization's mission is to assist people to overcome their multiple or severe barriers to employment by providing a wide range of educational and vocational training along with employment placement support. Goodwill of Silicon Valley 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 has been built on the tradition of self-sufficiency - supporting their services to the communities with income generated from their business operations. In addition to the familiar stores and donation trailers, the Organization operates GoodSource, a contract service division. The combined operating divisions provide most the funding needed to support the educational and vocational trainings offered by the Organization's award-winning Institute for Career Development. The Organization provides employment for more than 800 individuals at any point in time.

GoodEx Services, Inc. (GES) was organized in October 2009 to be a plant-based shredding service for businesses and governments located in and around the Silicon Valley. GES was inactive for years ending December 31, 2017 and 2016.

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 450 individuals at 19 retail stores and 40 donation collection sites.

Contract and Business Service Programs: GoodSource: A reputable and reliable service provider for assembly and packaging services, the contract service division attracts a diverse client base ranging from small local businesses to well established Fortune 500 global companies. In addition to assembly and packaging services, GoodSource provides drop ship, turnkey warehousing and logistical solutions. In 2009 GoodSource entered the mattress reclamation arena, benefiting the environment, creating jobs and contributing to the bottom line. In 2017 Goodsource processed and diverted from landfill 53,000 mattresses. With its keen customer focus, reliable service delivery and great flexibility, GoodSource has developed a loyal and long standing customer base and has become an "On Shore" alternative to keep jobs in the community, thus providing opportunities for people with multiple or severe barriers to employment.

NOTE B - PROGRAM SERVICES (CONTINUED)

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

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 Information Communication Technology (A+ Certification), Construction, Retail/Hospitality and Security.

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.

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

ASSET's Youth Program: This program is designed to provide at-risk High School Students with support that enriches their lives through various activities, provides academic support through tutoring, after-school instruction and a safe and quiet place for independent study. In 2017 the Assets program served 15,000 students, many of the students served by this program can earn their High School Diploma through obtaining credits that they would otherwise not recover. These programs are currently held at five high schools Monday through Friday, 2:00pm to 6:00pm.

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

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

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

NOTE B - PROGRAM SERVICES (CONTINUED)

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

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

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

NOTE C - SIGNIFICANT ACCOUNTING POLICIES

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

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

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

NOTE C - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued):

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

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

This basis of presentation reflects the implementation of ASU 2016-14 (See "Recent Accounting Pronouncements Implemented" paragraph below).

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

Use of Estimates: The preparation of 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. The Organization's estimates include allowance for doubtful accounts, inventory obsolescence reserves, useful life of property and equipment, leases, fair value of investments and financial instruments, accrued pension costs, donated assets and services, and allocation of expenses by function.

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

Restricted cash: Restricted cash is a requirement of an agreement between the Organization and its workers compensation insurance broker. The agreement requires $300,000 be held in a separate bank account. As of December 31, 2017, the Organization held the separate cash in certificate of deposit with a maturity date of June 27, 2018. The bank account generates interest, resulting in the restricted cash balance to exceed the $300,000 minimum requirement.

NOTE C - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments: Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized and realized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restriction if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Accounts, Grants Receivable and Allowance for Doubtful Accounts: Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts or grants receivable. The allowance for doubtful accounts balance as of December 31, 2017 and 2016 was $123,477 and $111,641, 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 cost 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 as of December 31, 2017 and 2016 was $48,231 and $59,994, 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 estimate of inventory turns. Donated automobiles are valued at estimated fair market value on a specific identification basis.

NOTE C - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Land, Buildings and Equipment: Land, buildings and equipment are recorded at cost or estimated fair value for donated items. Equipment purchases over $2,000 are capitalized. The cost of repairs and maintenance which do not improve or extend the lives of the respective assets are expensed in the period. Depreciation is computed on the straight-line method based on the following estimated useful lives:

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

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

Impairment of Long-Lived Assets: The Organization accounts for impairment of assets in accordance with FASB ASC 360-10, *Impairment or Disposal of Long-Lived Assets*. Under FASB ASC 360-10, the Organization reviews long-lived assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable based on the undiscounted future cash flows of the asset. If the carrying amount of the asset is determined not to be recoverable, a write-down to fair value is recorded. There was no impairment expense recorded for the years ending 2017 and 2016.

Accrued Vacation: Accrued vacation represents vacation earned, but not taken as of December 31, 2017 and 2016, and is included in "Accrued payroll and benefits" in the statements of financial position. The accrued vacation balance as of December 31, 2017 and 2016 was $614,022 and $588,771, respectively.

Deferred Rent: As of December 31, 2017, ten retail stores and one attended donation station are leased under operating leases expiring on various dates through 2026. These operating leases generally have fluctuating payments over the life of the lease. Accordingly, Goodwill has recorded the lease expense on a straight-line basis and has recorded the excess of the straight-line expense over the amount paid as deferred rent.

Defined Benefit Pension Plan: The Organization accounts for its defined benefit pension plan in accordance with ASC 715-10, *Retirement Benefits*. ASC 715-10 requires an employer to recognize the funded status of the benefit plan, measured as the difference between plan assets at fair value and the projected benefit obligation, in the statements of financial position. ASC 715-10 also requires the immediate recognition of the unrecognized actuarial gains and losses. The Organization froze the defined benefit pension plan as of March 31, 2009 (see Note I).

NOTE C - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Contributions: Contributions are reported in accordance with ASC 958. Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as 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 net assets without donor restriction if the restrictions have been met in the current fiscal period. If the restriction has not been met by fiscal year end, the amount is reported as an increase in net assets with donor restrictions. When the restriction is met on a contribution received in a prior fiscal period, the amount is shown as a reclassification of net assets with donor restrictions to net assets without donor restrictions.

Contributions In-Kind - Non-Inventory: Contributions in-kind - non-inventory are recognized in accordance with the provisions of ASC 958. Donated equipment and other donated goods are recorded at their estimated fair value as of the date of the donation. Contributed services, which require a specialized skill and which the Organization would have paid for if not donated, are recorded at the estimated fair value at the time the services are rendered. During the years ended December 31, 2017 and 2016, the Organization received free use of lots where attended donation stations are located. The Organization has valued the use of the lots at approximately $138,000 and $156,000, respectively. The contributions for the years ended December 31, 2017 and 2016 are recorded to rent revenue and rent expense.

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

Advertising: The Organization's policy is to expense advertising costs as they are incurred. Advertising expense for the years ended December 31, 2017 and 2016 were approximately $457,000 and $470,000, respectively. The advertising expense is included in advertising and marketing expenses within the consolidated statement of functional expenses.

NOTE C - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Organization accounts for the requirements associated with uncertainty in income taxes using the provisions of FASB ASC 740-10-25 *Recognition of Income Taxes*. Accordingly, an entity shall initially recognize the financial statement effects of a tax position when it is more-likely-than not, based on the technical merits, that the position will be sustained upon examination. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of December 31, 2017, the Organization has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

Concentrations of Credit Risk: Financial instruments that potentially subject the Organization to credit risk consist primarily of cash and cash equivalents, accounts receivable, and investments. The Organization maintains most its cash in a business checking account and in bank deposit accounts that, 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, 2017 and 2016, the Organization had approximately $965,000 and $1,875,000, respectively, in deposits in excess of the federally insured limit.

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

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

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

Subsequent Events: ASC 855-10, Subsequent Events, requires additional disclosure for events or transactions that occur after the balance sheet date. The Organization has no subsequent events as of March 9, 2018. The Organization has not evaluated subsequent events after this date in the statements presented.

NOTE C - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements Implemented: In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Financial Statements*. The standard's core principal is to improve the current net asset classification requirements and the information presented in the financial statements and notes about a not-for profit entity. The standard eliminates the distinction between permanently and temporarily restricted net assets. The standard also includes enhanced disclosure requirements for board designated funds and donor restricted funds, qualitative information on what liquid resources are available for operation and how they are managed, amounts of expenses by both natural and function classification, methods used to allocate costs among program and support, and underwater endowment funds, and type of information provided about expenses and investment return. The Organization elected to early adopt ASU 2016-14, and applied it retrospectively as allowed by the standard.

Recent Accounting Pronouncements Not Yet Implemented: On May 28 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. The standard's core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. This standard will be effective for the calendar year ending December 31, 2019. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

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

NOTE C - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements Not Yet Implemented: In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses*. The standard requires a financial asset (including trade receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the Statement of Activities will reflect the measurement of credit losses for newly-recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. This standard will be effective for the calendar year ending December 31, 2021. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

NOTE D - INVESTMENTS

As of December 31, 2017 and 2016, the Organization holds all investments with Enterprise Trust and Investment Company (ETIC), a California incorporated banking institution. ETIC follows the guidelines for professional management of the investment portfolio established and monitored by the Organization.

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

	2017	2016
Investments:		
Fixed income	$ 5,121,098	$ 5,193,436
Domestic equities	1,168,630	768,249
Foreign equities	186,996	107,729
	$ 6,476,724	$ 6,069,414

NOTE D – INVESTMENTS (CONTINUED)

Investments activity during the years ended December 31, 2017 and 2016 consisted of the following:

	2017	2016
Investments, beginning of year	$ 6,069,414	$ 4,310,776
Investment return:		
Interest and dividend income	230,351	182,341
Net realized and unrealized gain (loss)	61,166	(31,582)
Administrative expenses	(44,616)	(40,063)
Net investment return	246,901	110,696
Transfers from operations	160,409	1,647,942
Investments, end of year	$ 6,476,724	$ 6,069,414

NOTE E - AVAILABILITY AND LIQUIDITY

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

	2017	2016
Cash and cash equivalents	$ 1,798,520	$ 2,065,529
Investments, at market value	6,476,724	6,069,414
Accounts receivable, net	737,566	799,354
Grants receivable	622,253	590,580
	$ 9,635,063	$ 9,524,877

NOTE F - INVENTORIES

Inventories as of December 31, consists of the following:

	2017	2016
Purchased merchandise	$ 1,190,190	$ 1,121,161
Donated merchandise	570,601	757,369
Donated automobiles	-	4,500
Allowance for obsolescence	(48,231)	(59,994)
	$ 1,712,560	$ 1,823,036

NOTE G - LAND, BUILDINGS AND EQUIPMENT

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

	2017	2016
Land and buildings	$ 28,759,804	$ 27,858,519
Equipment	9,234,037	7,907,190
Leasehold improvements	3,650,540	3,076,249
	41,644,381	38,841,958
Less: accumulated depreciation and amortization	(20,773,567)	(18,716,535)
	20,870,814	20,125,423
Construction in process	40,430	730,803
	$ 20,911,244	$ 20,856,226

NOTE H - COMMITMENTS AND CONTINGENCIES

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

Year ending December 31,	
2018	$ 2,882,547
2019	2,744,015
2020	2,237,038
2021	1,400,852
2022	1,256,668
Thereafter	4,388,357
	$ 14,909,477

Rent expense under the operating leases for the years ended December 31, 2017 and 2016 was approximately $2,942,000 and $2,604,000, 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,	
2018	$ 32,193
2019	33,320
2020	28,572
	$ 94,085

Rent income recognized under the subleases for the years ended December 31, 2017 and 2016 was approximately $194,000 and $156,000, respectively.

Capital Lease Obligations: The Organization acquired certain equipment under capital lease obligations. The leases bore interest ranging from 6.34% to 9.2% and matured at various dates through August 2016. As of December 31, 2016, the Organization has paid off all outstanding capital leases.

NOTE H - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Unemployment Benefits: The Organization is self-insured for unemployment benefits given to former employees. Management has estimated the amount of benefits expected to be paid by the Organization after December 31, 2017, with respect to claims related to 2017 and prior years. The amount accrued for unemployment benefits at December 31, 2017 and 2016 was $45,652 and $45,010, respectively. These amounts are included in "Accrued payroll and benefits" in the accompanying statements of financial position.

NOTE I - RETIREMENT PLANS

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

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

The Organization accounts for its defined benefit pension plan in accordance with ASC 715-10. ASC 715-10 requires an employer to recognize the funded status of benefit plan, measured as the difference between plan assets at fair value and the projected benefit obligation, in the statements of financial position. ASC 715-10 also requires the immediate recognition of the unrecognized actuarial gains and losses. The Plan was amended as of March 31, 2009 to cease benefit accruals. The effect was to freeze benefit accruals at the January 1, 2009 level. This resulted in curtailment. Effective January 1, 2014, terminated participants with vested balances under $5,000 were paid out as soon as administratively feasible.

NOTE I - RETIREMENT PLANS (CONTINUED)

Defined Benefit Pension Plan (continued): Based on an actuarial study, net pension cost as of December 31, included the following components:

	2017	2016
Interest cost	$ 155,665	$ 184,284
Expected return on assets	(190,159)	(199,578)
Net amortization and deferral	268,168	260,607
Net pension cost	$ 233,674	$ 245,313

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

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

	2017	2016
Actuarial (gain) loss on obligations	$ (57,219)	$ 297,313
Actuarial loss on plan assets	26,368	4,432
Actuarial (gain) loss	(30,851)	301,745
Unrecognized cumulative loss at January 1	2,469,150	2,306,087
Cumulative loss recognized in net pension cost	(164,548)	(156,577)
Unrecognized cumulative loss at December 31	$ 2,273,751	$ 2,451,255

NOTE I - RETIREMENT PLANS (CONTINUED)

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

Change in benefit obligation:	2017	2016
Projected benefit obligation at end of year	$ 3,735,609	$ 4,355,056

Change in plan assets (cash basis):

	2017	2016
Fair value of plan assets at beginning of year	$ 2,587,546	$ 2,825,646
Actual return on plan assets (pension plan investment income)	172,269	224,618
Employer cash contributions	503,657	255,000
Benefits paid	(626,046)	(524,908)
Investment fees	(26,373)	(29,472)
Administration fees	(195,467)	(163,338)
Fair value of plan assets at end of year	2,415,586	2,587,546
Funded status	$ (1,320,023)	$ (1,767,510)

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

	2017	2016
Accrued pension costs, net	$ 1,320,023	$ 1,767,510

NOTE I - RETIREMENT PLANS (CONTINUED)

Defined Benefit Pension Plan (continued):

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

	2017	2016
Discount rate (pre-retirement/post retirement)	3.28%	3.62%
Expected annual rate of compensation increase	0%	0%
Expected annual rate of increase in compensation and benefit limits	0%	0%
Pre-retirement mortality	None	None
Post-retirement mortality	RP-2014 Healthy Annuitant with MP-2017 Generational Projection for Male and Female	RP-2014 Healthy Annuitant with MP-2016 Generational Projection for Male and Female

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

	2017	2016
Discount rate (pre-retirement/post retirement)	3.62%	4.03%
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	RP-2014 Healthy Annuitant Bottom Quartile with MP-2016 Generational Projection for Male and Female	RP-2014 Healthy Annuitant Bottom Quartile with MP-2015 Generational Projection for Male and Female

NOTE I - RETIREMENT PLANS (CONTINUED)

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

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

	2017	2016
Asset category:		
Cash and money market funds	$ 184,164	$ 48,041
Bonds and annuities	237,000	388,807
Pooled mutual funds	619,533	259,444
Stocks	705,349	829,972
Government securities	669,540	1,061,282
	$ 2,415,586	$ 2,587,546

	2017	2016
Plan Asset % allocation:		
Cash and money market funds	7.6%	1.9%
Bonds and annuities	9.8%	15.0%
Pooled mutual funds	25.6%	10.0%
Stocks	29.2%	32.1%
Government securities	27.7%	41.0%
	100.0%	100.0%

NOTE I - RETIREMENT PLANS (CONTINUED)

Defined Benefit Pension Plan (continued):

Estimated future benefit payments through 2027:

Year ending December 31,		
2018	$	524,897
2019		290,027
2020		213,496
2021		393,263
2022		227,242
2023-2027		1,168,308
	$	2,817,233

NOTE J - FAIR VALUE MEASUREMENTS

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

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

Level 2 - Inputs to the valuation methodology include:

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

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

NOTE J - FAIR VALUE MEASUREMENTS (CONTINUED)

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

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2017:

Investments: For investments categorized as level 1 – values are based on quoted prices for identical assets or liabilities in active markets. For investments categorized as level 2 – values are based on quoted prices in active markets of the underlying assets held by ETIC. For investments categorized as level 3 – values are based on valuations provided by ETIC for the underlying assets held by ETIC. ETIC’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 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.

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, 2017:

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

NOTE J - 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, 2016:

	Level 1	Level 2	Level 3	Total
Investments	$ 2,194,252	$ 3,875,162	$ -	$ 6,069,414

NOTE K - RELATED PARTIES

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

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

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

In November 2017, the Organization entered into a lending agreement that provides advances to Expandability of up to $200,000 with no interest charged and the balance due in one year. As of December 31, 2017, the total amount outstanding with Expandability is $50,000.

SECTION II

SUPPLEMENTARY INFORMATION

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

SCHEDULE OF EXPENDITURES OF FEDERAL AND OTHER GOVERNMENTAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2017

	Federal CFDA Number	Pass-through Grantor's Number/Grant Number	Grant Period/Period In Current Fiscal Year	Award Amount	Revenue	Expenditure	Type of Program
FEDERAL ASSISTANCE							
US Department of Labor							
Direct Program:							
Training To Work 3 - Adult Reentry	17.27	PE-27382-15-60-A-6	07/01/15 - 09/28/18	$ 1,137,655	$ 352,560	$ 352,560	Non Major
Homeless Veterans Reintegration Project	17.805	HV-27445-15-60-5-6	07/01/16 - 06/30/17	300,000	145,497	145,497	
Homeless Veterans Reintegration Project	17.805	HV-30658-17-60-5-6	07/01/17 - 06/30/18	300,000	146,690	146,690	
				600,000	292,187	292,187	Non Major
Total US Department of Labor				1,737,655	644,747	644,747	
US Department of Veterans Affairs							
Direct Program:							
Supportive Services for Veteran Families	64.033	12-CA-013	10/01/16 - 9/30/19	427,894	318,078	318,078	
Supportive Services for Veteran Families	64.033	12-CA-013	10/01/17 - 9/30/18	427,894	102,141	102,141	
Total US Department of Veterans Affairs				855,788	420,219	420,219	Non Major
US Department of Education							
21st Century Community Learning Centers:							
Pass Through:							
State of California Department of Education	84.287C	16-14535-V927-8A	7/01/16 - 12/31/17	750,000	444,888	444,888	
State of California Department of Education	84.287C	16-14535-V927-9A	7/01/16 - 12/31/17	250,000	159,239	159,239	
State of California Department of Education	84.287C	17-14535-V927-8A	7/01/17 - 6/30/18	750,000	331,500	331,500	
State of California Department of Education	84.287C	17-14535-V927-9A	7/01/17 - 6/30/18	250,000	55,883	55,883	
Total US Department of Education				2,000,000	991,510	991,510	Major
Total federal assistance				4,593,443	2,056,476	2,056,476	
NON-FEDERAL ASSISTANCE							
Others							
County of Santa Clara - New Opportunity Work Program	N/A	N/A	7/01/16 - 6/30/18	1,440,000	794,454	794,454	
County of Santa Clara - New Opportunity Work Program - CDCR	N/A	N/A	7/01/16 - 6/30/17	150,000	38,645	38,645	
County of Santa Clara - New Opportunity Work Program - CDCR	N/A	N/A	7/01/17 - 6/30/18	150,000	40,067	40,067	
County of Santa Clara - In-Custody Contract Phase I - (445)	N/A	N/A	1/18/16 - 6/30/18	575,000	156,859	156,859	
County of Santa Clara - New Opportunity Work Program - PRC	N/A	N/A	10/01/16 - 6/30/17	209,865	97,394	97,394	
County of Santa Clara - New Opportunity Work Program - PRC	N/A	N/A	7/01/17 - 6/30/18	192,817	75,188	75,188	
County of Santa Clara - HVAC Training	N/A	N/A	9/01/17 - 6/30/19	86,463	4,142	4,142	
Total Others				2,804,145	1,206,749	1,206,749	
Total non-federal assistance				2,804,145	1,206,749	1,206,749	
Total governmental assistance				$ 7,397,588	$ 3,263,225	$ 3,263,225	

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

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL
AND OTHER GOVERNMENTAL AWARDS

DECEMBER 31, 2017 AND 2016

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal and Other Governmental Awards includes the federal and other governmental grant activity of Goodwill of Silicon Valley and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal Awards. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - RELATIONSHIP TO FINANCIAL STATEMENTS

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

NOTE C - INDIRECT COST RATE

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

SECTION III

COMPLIANCE REPORTS

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Certified Public Accountants and Consultants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Goodwill of Silicon Valley and related entity GoodEx, Inc. (collectively, the Organization), which comprise the consolidated statements of financial position as of December 31, 2017, 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 9, 2018.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

Petrinovich Pugh & Company, LLP

Petrinovich Pugh & Company, LLP

San Jose, California
March 9, 2018

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

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

Report on Compliance for Each Major Federal Program

We have audited Goodwill of Silicon Valley's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Goodwill of Silicon Valley's major federal programs for the year ended December 31, 2017. Goodwill of Silicon Valley's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Goodwill of Silicon Valley's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Goodwill of Silicon Valley's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Goodwill of Silicon Valley complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control Over Compliance

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

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

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

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

Petrinovich Pugh & Company, LLP

Petrinovich Pugh & Company, LLP

San Jose, California
March 9, 2018

SECTION IV

SCHEDULES OF FINDINGS AND QUESTIONED COSTS

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2017

SUMMARY OF AUDIT RESULTS:

1. The auditors' report expresses an unqualified opinion on the consolidated financial statements of Goodwill of Silicon Valley.

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 Consolidated 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, 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 and Report on Internal Control over Compliance Required by Uniform Guidance.

5. The auditors' report on compliance for the major federal award programs for Goodwill of Silicon Valley 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 Uniform Guidance.

7. The program tested as a major program included: Twenty-First Century Community Learning Centers – CFDA 84.287C, Grant numbers 16-14535-V927-8A, 16-14535-V927-9A, 17-14535-V927-8A, and 17-14535-V927-9A

8. The threshold used for distinguishing between Type A and B programs was $750,000.

9. Goodwill of Silicon Valley 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
(A California Nonprofit Public Benefit Corporation)

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2017

There were no prior year findings from the previous audit reports requiring follow up during the year ended December 31, 2017.