

Consolidated Financial Statements and
Supplementary Information Together with
Report of Independent Certified Public Accountants

MORGAN MEMORIAL GOODWILL INDUSTRIES, INC.

June 30, 2019 and 2018

MORGAN MEMORIAL GOODWILL INDUSTRIES, INC.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors

Morgan Memorial Goodwill Industries, Inc.

Report on the financial statements

We have audited the accompanying consolidated financial statements of Morgan Memorial Goodwill Industries, Inc. (a nonprofit organization) and its subsidiary and affiliate (“Goodwill”), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management’s responsibility for the financial statements

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

Auditor’s responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from 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 Goodwill’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 Goodwill’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 Morgan Memorial Goodwill Industries, Inc. (a nonprofit organization) and its subsidiary and affiliate as of June 30, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and statement of activities – without donor restrictions are presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the 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 supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Grant Thornton LLP

Boston, Massachusetts
September 24, 2019

MORGAN MEMORIAL GOODWILL INDUSTRIES, INC.
Consolidated Statements of Financial Position
As of June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,622,124	\$ 2,694,343
Accounts receivable	1,763,348	1,720,356
Inventory	681,306	670,471
Prepaid expenses	<u>610,591</u>	<u>673,516</u>
Total current assets	<u>5,677,369</u>	<u>5,758,686</u>
Land, buildings and equipment, net	<u>6,642,346</u>	<u>7,142,975</u>
Other assets		
Investments	18,994,433	17,256,271
Beneficial interests in trusts and split-interest agreements	6,272,709	6,214,901
Other noncurrent assets	<u>495,814</u>	<u>337,650</u>
Total other assets	<u>25,762,956</u>	<u>23,808,822</u>
Total assets	<u>\$ 38,082,671</u>	<u>\$ 36,710,483</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 1,196,641	\$ 956,216
Accrued payroll and employee benefits	1,214,136	1,164,197
Other current liabilities	412,545	592,599
Line of credit	-	293,371
Current portion of long-term debt	<u>88,353</u>	<u>84,333</u>
Total current liabilities	<u>2,911,675</u>	<u>3,090,716</u>
Long-term liabilities		
Long-term debt	4,273,904	4,362,256
Other long-term liabilities	<u>530,069</u>	<u>488,728</u>
Total long-term liabilities	<u>4,803,973</u>	<u>4,850,984</u>
Total liabilities	<u>7,715,648</u>	<u>7,941,700</u>
NET ASSETS		
Without donor restrictions	12,959,377	11,876,149
With donor restrictions	<u>17,407,646</u>	<u>16,892,634</u>
Total net assets	<u>30,367,023</u>	<u>28,768,783</u>
Total liabilities and net assets	<u>\$ 38,082,671</u>	<u>\$ 36,710,483</u>

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

MORGAN MEMORIAL GOODWILL INDUSTRIES, INC.

Consolidated Statement of Activities

For the year ended June 30, 2019 (with summarized information for the year ended June 30, 2018)

	2019			2018 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
OPERATING REVENUES AND OTHER SUPPORT				
Retail sales	\$ 21,365,609	\$ -	\$ 21,365,609	\$ 18,658,911
Contributions of donated goods	7,582,624	-	7,582,624	7,144,171
Fees and grants	7,374,274	-	7,374,274	6,445,688
Worksite revenue	3,376,249	-	3,376,249	3,019,269
Contributions and bequests	1,391,432	419,535	1,810,967	1,974,824
Trust interest income	280,781	-	280,781	208,179
Income appropriated under total return spending policy	584,000	-	584,000	540,000
Net assets released from purpose restrictions	389,581	(389,581)	-	-
Other revenue	45,925	-	45,925	51,312
Total operating revenues and other support	<u>42,390,475</u>	<u>29,954</u>	<u>42,420,429</u>	<u>38,042,354</u>
OPERATING EXPENSES				
Program services				
Retail enterprise				
Cost of goods sold - retail	7,559,239	-	7,559,239	7,161,252
Other retail	19,526,673	-	19,526,673	17,266,831
Total retail enterprise	27,085,912	-	27,085,912	24,428,083
Job training, career and youth services	9,481,879	-	9,481,879	8,750,169
Total program services	<u>36,567,791</u>	<u>-</u>	<u>36,567,791</u>	<u>33,178,252</u>
Support services				
Management and general	4,265,575	-	4,265,575	3,695,027
Fundraising	1,117,389	-	1,117,389	1,124,576
Total support services	<u>5,382,964</u>	<u>-</u>	<u>5,382,964</u>	<u>4,819,603</u>
Total operating expenses	<u>41,950,755</u>	<u>-</u>	<u>41,950,755</u>	<u>37,997,855</u>
Change in net assets from operating activities	<u>439,720</u>	<u>29,954</u>	<u>469,674</u>	<u>44,499</u>
NON-OPERATING ACTIVITIES				
Investment return, net of amounts appropriated under total return spending policy	665,300	441,345	1,106,645	422,300
Contributed net assets (see Note 9)	-	-	-	1,037,708
Gain on forgiveness of debt	-	-	-	2,276,490
Other revenues (expenses)	(21,792)	39,975	18,183	-
Change in fair value of beneficial interests in trusts and split-interest agreements	-	3,738	3,738	240,324
Change in net assets from non-operating activities	<u>643,508</u>	<u>485,058</u>	<u>1,128,566</u>	<u>3,976,822</u>
Change in net assets	1,083,228	515,012	1,598,240	4,021,321
Net assets beginning of year	<u>11,876,149</u>	<u>16,892,634</u>	<u>28,768,783</u>	<u>24,747,462</u>
Net assets end of year	<u>\$ 12,959,377</u>	<u>\$ 17,407,646</u>	<u>\$ 30,367,023</u>	<u>\$ 28,768,783</u>

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

MORGAN MEMORIAL GOODWILL INDUSTRIES, INC.
Consolidated Statement of Activities
For the year ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	2018 Total
OPERATING REVENUES AND OTHER SUPPORT			
Retail sales	\$ 18,658,911	\$ -	\$ 18,658,911
Contributions of donated goods	7,144,171	-	7,144,171
Fees and grants	6,445,688	-	6,445,688
Worksite revenue	3,019,269	-	3,019,269
Contributions and bequests	1,489,373	485,451	1,974,824
Interest and dividend income	208,179	-	208,179
Income appropriated under total return spending policy	540,000	-	540,000
Net assets released from purpose restrictions	474,652	(474,652)	-
Other revenue	51,312	-	51,312
Total operating revenues and other support	<u>38,031,555</u>	<u>10,799</u>	<u>38,042,354</u>
OPERATING EXPENSES			
Program services			
Retail enterprise			
Cost of goods sold - retail	7,161,252	-	7,161,252
Other retail	17,001,538	-	17,001,538
Total retail enterprise	24,162,790	-	24,162,790
Job training, career and youth services	8,839,564	-	8,839,564
Total program services	<u>33,002,354</u>	<u>-</u>	<u>33,002,354</u>
Support services			
Management and general	3,867,299	-	3,867,299
Fundraising	1,128,202	-	1,128,202
Total support services	<u>4,995,501</u>	<u>-</u>	<u>4,995,501</u>
Total operating expenses	<u>37,997,855</u>	<u>-</u>	<u>37,997,855</u>
Change in net assets from operating activities	<u>33,700</u>	<u>10,799</u>	<u>44,499</u>
NON-OPERATING ACTIVITIES			
Investment return, net of amounts appropriated under total return spending policy	259,062	163,238	422,300
Gain on forgiveness of debt	2,276,490	-	2,276,490
Contributed net assets (see Note 9)	106,133	931,575	1,037,708
Change in fair value of beneficial interests in trusts and split-interest agreements	-	240,324	240,324
Change in net assets from non-operating activities	<u>2,641,685</u>	<u>1,335,137</u>	<u>3,976,822</u>
Change in net assets	2,675,385	1,345,936	4,021,321
Net assets - beginning of year	<u>9,200,764</u>	<u>15,546,698</u>	<u>24,747,462</u>
Net assets - end of year	<u>\$ 11,876,149</u>	<u>\$ 16,892,634</u>	<u>\$ 28,768,783</u>

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

MORGAN MEMORIAL GOODWILL INDUSTRIES, INC.
Consolidated Statements of Cash Flows
For the years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,598,240	\$ 4,021,321
Adjustments to reconcile change in net assets to net cash provided by operations		
Net realized and unrealized gains on investments	(1,354,734)	(725,147)
Change in fair value of beneficial interests in trusts and split-interest agreements	(57,808)	(240,324)
Contributed net assets	-	(1,037,708)
Depreciation	1,210,596	1,060,593
Gain on forgiveness of debt	-	(2,276,490)
Amortization of financing costs	-	33,224
Change in certain assets and liabilities		
Accounts receivable	(42,992)	(522,147)
Inventory	(10,835)	17,081
Prepaid expenses	62,925	(192,813)
Other assets	(158,164)	(14,387)
Accounts payable and accrued expenses	240,425	446,067
Accrued payroll and employee benefits	49,939	(69,929)
Other current liabilities	(180,054)	(212,254)
Other long-term liabilities	41,341	(263,495)
Net cash provided by operating activities	<u>1,398,879</u>	<u>23,592</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of land, building and equipment	(709,967)	(1,167,454)
Purchases of investments	(9,487,018)	(4,188,877)
Proceeds from sales of investments	<u>9,103,590</u>	<u>3,909,499</u>
Net cash used in investing activities	<u>(1,093,395)</u>	<u>(1,446,832)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings from (repayments on) line of credit, net	(293,371)	167,513
Note payable principal payments	(84,332)	(34,501)
Proceeds from note payable	<u>-</u>	<u>281,090</u>
Net cash (used in) provided by investing activities	<u>(377,703)</u>	<u>414,102</u>
Net change in cash and cash equivalents	(72,219)	(1,009,138)
Cash and cash equivalents, beginning of year	<u>2,694,343</u>	<u>3,703,481</u>
Cash and cash equivalents, end of year	<u>\$ 2,622,124</u>	<u>\$ 2,694,343</u>
Supplemental disclosures:		
Contributions of donated goods and purchased goods	\$ 7,582,624	\$ 7,144,171
Cost of sales	7,559,239	7,161,252
Noncash changes to inventory	(10,835)	9,474
Cash paid for interest	232,633	249,811
Forgiven notes payable	-	9,137,500
Write-off of notes receivable and accrued interest	-	6,875,538

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

MORGAN MEMORIAL GOODWILL INDUSTRIES, INC.
Consolidated Statement of Functional Expenses
For the year ended June 30, 2019 (with summarized information for the year ended June 30, 2018)

	Program Services			Support Services			2019 Total	2018 Total
	Retail Enterprise	Job Training, Career and Youth Services	Total Program Services	Management and General	Fundraising	Total Support Services		
Cost of goods sold - retail	\$ 7,559,239	\$ -	\$ 7,559,239	\$ -	\$ -	\$ -	\$ 7,559,239	\$ 7,161,252
Salaries and wages	8,695,430	5,498,165	14,193,595	2,252,639	513,205	2,765,844	16,959,439	15,606,206
Employee benefits	1,668,915	1,270,778	2,939,693	373,128	65,916	439,044	3,378,737	3,067,267
Non-payroll - temporary help	73,746	3,352	77,098	191,997	-	191,997	269,095	494,552
Total salaries and related expenses	10,438,091	6,772,295	17,210,386	2,817,764	579,121	3,396,885	20,607,271	19,168,025
Occupancy	5,509,617	840,751	6,350,368	332,066	20,332	352,398	6,702,766	5,391,143
Professional fees and contracts	223,874	754,346	978,220	593,208	167,680	760,888	1,739,108	1,224,882
Events	15,988	38,664	54,652	36,704	133,022	169,726	224,378	228,477
Goods and supplies	796,221	428,966	1,225,187	105,805	78,377	184,182	1,409,369	1,355,254
Vehicle and travel expenses	1,143,379	144,445	1,287,824	26,627	732	27,359	1,315,183	1,198,085
Rental and maintenance of equipment	252,318	73,738	326,056	30,137	5,626	35,763	361,819	365,280
Printing, advertising and publications	101,313	37,955	139,268	47,576	108,423	155,999	295,267	335,327
Meetings and dues	83,755	49,923	133,678	120,828	5,075	125,903	259,581	211,554
Bad debt expense	-	-	-	31,258	2,000	33,258	33,258	5,754
Interest expense	120,793	55,673	176,466	48,782	7,385	56,167	232,633	259,005
Depreciation and amortization	840,459	285,701	1,126,160	74,820	9,616	84,436	1,210,596	1,093,817
Total other expenses	9,087,717	2,710,162	11,797,879	1,447,811	538,268	1,986,079	13,783,958	11,668,578
Total functional expenses	\$ 27,085,047	\$ 9,482,457	\$ 36,567,504	\$ 4,265,575	\$ 1,117,389	\$ 5,382,964	\$ 41,950,468	\$ 37,997,855

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

MORGAN MEMORIAL GOODWILL INDUSTRIES, INC.
Consolidated Statement of Functional Expenses
For the year ended June 30, 2018

	Program Services			Support Services			2018 Total
	Retail Enterprise	Job Training, Career and Youth Services	Total Program Services	Management and General	Fundraising	Total Support Services	
Cost of goods sold - retail	\$ 7,161,252	\$ -	\$ 7,161,252	\$ -	\$ -	\$ -	\$ 7,161,252
Salaries and wages	7,792,728	5,146,347	12,939,075	2,222,427	444,704	2,667,131	15,606,206
Employee benefits	1,481,173	1,180,583	2,661,756	338,418	67,093	405,511	3,067,267
Non-payroll - temporary help	124,817	281,253	406,070	86,101	2,381	88,482	494,552
Total salaries and related expenses	9,398,718	6,608,183	16,006,901	2,646,946	514,178	3,161,124	19,168,025
Occupancy	4,516,009	707,083	5,223,092	149,938	18,113	168,051	5,391,143
Professional fees and contracts	244,452	287,332	531,784	531,978	161,120	693,098	1,224,882
Events	14,862	52,071	66,933	27,717	133,827	161,544	228,477
Goods and supplies	786,143	405,381	1,191,524	68,000	95,730	163,730	1,355,254
Vehicle and travel expenses	999,669	167,895	1,167,564	30,272	249	30,521	1,198,085
Rental and maintenance of equipment	232,357	89,848	322,205	36,707	6,368	43,075	365,280
Printing, advertising and publications	64,159	48,159	112,318	54,348	168,661	223,009	335,327
Meetings and dues	78,841	41,861	120,702	84,201	6,651	90,852	211,554
Bad debt expense	-	-	-	154	5,600	5,754	5,754
Interest expense	144,098	73,556	217,654	36,013	5,338	41,351	259,005
Depreciation and amortization	787,523	268,800	1,056,323	28,753	8,741	37,494	1,093,817
Total other expenses	7,868,113	2,141,986	10,010,099	1,048,081	610,398	1,658,479	11,668,578
Total functional expenses	\$ 24,428,083	\$ 8,750,169	\$ 33,178,252	\$ 3,695,027	\$ 1,124,576	\$ 4,819,603	\$ 37,997,855

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

MORGAN MEMORIAL GOODWILL INDUSTRIES, INC.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

1. ORGANIZATION

Morgan Memorial Goodwill Industries, Inc. (“Goodwill”) is a non-profit organization whose mission is to help individuals with barriers to self-sufficiency to achieve independence and dignity through work. *Not charity but a chance.*

Goodwill’s job training and career services help those considered hardest to employ to enter and succeed in the workforce. Goodwill is the operator of a one-stop career center, which serves job seekers and employers seeking qualified employees. Goodwill runs a retail enterprise that collects and sells donated clothing and household goods and other social enterprises. The social enterprises provide on-the-job training opportunities for individuals in its programs. Goodwill is headquartered in Boston and operates in multiple locations in eastern and central Massachusetts.

Goodwill is the sole member of Goodwill Headquarters, Inc. (“GHI”), a Massachusetts non-profit organization established to support and operate for the benefit of Goodwill. GHI had no activity during fiscal year 2019.

Goodwill Industries of the Pioneer Valley (“Pioneer Valley”) was a Massachusetts non-profit organization that helped individuals with barriers to self-sufficiency to achieve independence and dignity through work and served the Pioneer Valley and western Massachusetts. In December 2017, Goodwill entered into an affiliation agreement with and became the sole member of Pioneer Valley in order to assure the continued provision of mission services in the Pioneer Valley and western Massachusetts. Pioneer Valley’s net assets of \$1,037,708 on the date of affiliation were recognized as a contribution in the consolidated statement of activities in fiscal year ended June 30, 2018. Refer to Note 9 for additional details related to this transaction. Effective July 1, 2019, all assets and property of Pioneer Valley were transferred to Goodwill and Pioneer Valley was dissolved.

The financial statements of GHI and Pioneer Valley have been consolidated with the financial statements of Goodwill and all intercompany transactions have been eliminated in the consolidation.

Goodwill is supported from various sources, including contributions and bequests (4%), contributions of donated goods and retail sales (68%), fees and grants (including federal, state and local governments) (17%), worksite revenue (8%), and other sources (2%).

2. SIGNIFICANT ACCOUNTING POLICIES

A summary of Goodwill’s significant accounting policies are as follows:

Basis of Presentation

The accompanying consolidated financial statements and notes have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”).

MORGAN MEMORIAL GOODWILL INDUSTRIES, INC.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

Classification and Reporting of Net Assets

The financial statements have been prepared on the accrual basis of accounting. Net assets and revenues, expenses, gains and losses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Without donor restrictions - Net assets that are not subject to donor-imposed restrictions or for which restrictions have expired. Also included in this category are net assets designated by the Board of Directors.

With donor restrictions - Net assets subject to donor-imposed restrictions that permit Goodwill to use or expend the donated assets as specified and are satisfied by either the passage of time or by actions of Goodwill. Also included in this category are net assets subject to donor-imposed restrictions that stipulate that resources be maintained permanently, but may permit Goodwill to use or expend part or all of the economic benefits derived from the donated assets.

Cash and Cash Equivalents

All highly liquid debt instruments purchased with an original maturity of three months or less are considered to be cash equivalents, excluding amounts held in investments. Cash in bank deposit accounts may exceed federally insured limits. Goodwill has not experienced any losses in such accounts, and management believes cash in excess of insured limits is not at any significant risk of loss.

Accounts Receivable

Accounts receivable represent amounts due from state agencies as well as other organizations related to contracts, fees, and grants. Credit is extended on a short-term basis and accounts receivable do not bear interest. Accounts receivable are periodically evaluated for collectability based on past credit history with customers and their current financial condition. Provisions for uncollectible accounts are determined on the basis of loss experience, known or inherent risks and current economic conditions.

Inventory and Contributions of Donated Goods

Inventory consists of donated goods ready for sale and is valued at estimated fair value using the methodology provided by Goodwill Industries International, Inc. The methodology follows the retail method of accounting for inventory whereby ending inventory represents the present value of future cash flows, or the future selling price, reduced to a cost basis using the average margin on sales of goods. Prior to reaching the point of sale, donated inventory is valued at zero. Contributions of donated merchandise were valued at \$6,859,763 and \$7,144,171 for the years ended June 30, 2019 and 2018, respectively.

Processing donated merchandise requires program-related expenses before it reaches the point of sale. Such expenses include the cost of activities accomplished by people with barriers to self-sufficiency.

MORGAN MEMORIAL GOODWILL INDUSTRIES, INC.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

Land, Buildings and Equipment

Land, buildings and equipment are recorded at cost, except for contributed items, which are recorded at estimated fair value at the date of the contribution. Depreciation and amortization are calculated over the estimated useful lives of the assets on a straight-line basis as follows:

<u>Description</u>	<u>Years</u>
Land improvements	10-25
Buildings	40
Building improvements	5-40
Equipment	3-10
Leasehold improvements	Lesser of the term of the lease or estimated useful life

Expenditures for major improvements are capitalized, while expenditures for maintenance and repairs are expensed as incurred.

Investments

Investments are stated at fair value and realized and unrealized gains and losses on investments are included in the Consolidated Statement of Activities. Interest and dividends are reported as unrestricted income.

Revenue Recognition

Retail sales are recognized at the time of sale.

Fees, grants and worksite revenue are recognized as services are rendered or contractual commitments are met based on the terms of contracts with various government agencies and other organizations.

Contributions

Unconditional promises to give are reported at fair value at the date the promise is received. Conditional promises to give, and indications of intentions to give, are not reported until the gift is received or the conditional promise becomes unconditional. Contributions of assets other than cash are reported at estimated fair value. Contributions received with donor-imposed stipulations that limit their use are reported as net assets with donor restrictions. Contributions to be received after one year are discounted at a rate reflecting the risk involved and the discount is amortized based on the expected receipt date of the gift.

When a donor-imposed stipulation is met by the passage of time or when expenses have been incurred to satisfy their restricted purpose, donor restricted net assets are reclassified to net assets without donor restrictions and reported as net assets released from restrictions. This applies to restricted contributions for which donor-imposed stipulations are met in the same fiscal year as they are received.

MORGAN MEMORIAL GOODWILL INDUSTRIES, INC.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

Contributed Goods and In-Kind Services

Contributions of goods are reported at the fair value of the goods at the time of donations. Many individuals volunteer their time and perform a variety of tasks that assist Goodwill in carrying out its programs and services. Goodwill received a significant amount of volunteer hours during the years ended June 30, 2019 and 2018. No value for these volunteer hours was recorded as the nature of these services did not create or enhance nonfinancial assets or require specialized skills which would have otherwise been purchased.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated Statements of Activities. Certain costs have been allocated among the program and support services based on relative effort expended.

Income Taxes

Goodwill, GHI, and Pioneer Valley are not-for-profit organizations as described in Section 501(c)(3) of the Internal Revenue Code, as amended (the “Code”), and are generally exempt from income taxes pursuant to Section 501(a) of the Code. Goodwill, GHI, and Pioneer Valley are required to assess uncertain tax positions and have determined that there were no such positions that are material to the financial statements.

Non-operating Activities

Non-operating activities include investment income, net of amounts appropriated under the total return spending policy, changes in the value of interest agreements and perpetual trusts, and other non-operating gains (losses).

Use of Estimates

In preparing financial statements in accordance with US GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

Not-for-profit Financial Statement Presentation

During fiscal 2019, Goodwill adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) No. 2016-014; Presentation of Financial Statements of Not-for-Profit Entities. This guidance was intended to provide more useful information to donors, grantors, creditors, and other financial statement users. Main provisions of the guidance include: presentation of two classes of net assets versus the previously required three; as requiring additional disclosures for expenses by nature and function and for the liquidity and availability of resources.

Recently Issued Accounting Pronouncements

Revenue from Contracts with Customers (Topic 606)

In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date (“ASU 2015-14”). ASU 2015-14 defers by one year the effective date of ASU No. 2014-09, Revenue from Contracts with Customers (“ASU 2017-09”). The deferral results in ASU

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2014-09 being effective for fiscal years beginning after December 15, 2018. Goodwill has not yet determined the effect of the adoption of this guidance will have on the financial statements.

In July 2018, the FASB issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (“ASU 2018-08”). The ASU provides (1) a framework for determining whether a particular transaction is an exchange or a contributions and (2) guidance to assist entities in determining whether a contribution is either conditional or unconditional. The ASU is effective for fiscal year 2020 for Goodwill. The amendments in ASU 2018-08 apply to both recipients and resource providers. Goodwill is evaluating the impact of ASU 2018-08 on its financial statements.

Leases (Topic 842)

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* (“ASU 2016-02”). ASU 2016-02 establishes a comprehensive new lease accounting model. The new standard clarifies the definitions of a lease, requires a dual approach to lease classification similar to current lease classifications, and causes lessees to recognize leases on the balance sheet as a lease liability with a corresponding right-of-use asset for leases with a lease term of more than twelve months. The new standard is effective for annual periods beginning after December 15, 2021. Early adoption is permitted. The new standard requires a modified retrospective transition for capital or operating leases existing at or enter into after the beginning of the earliest comparative period presented in the financial statements, but it does not require transition accounting for leases that expire prior to the date of the initial application. Goodwill has not yet determined the effect of the adoption of this guidance will have on the financial statements.

3. LIQUIDITY AND AVAILABILITY

Goodwill’s financial assets available within one year of the statement of financial position for general expenditure are as follows as of June 30, 2019:

Financial assets:	
Cash and cash equivalents	\$ 2,622,124
Accounts receivable to be collected during the year	1,763,348
Fiscal 2020 spending policy allocation	<u>623,000</u>
Total financial assets available within one year	5,008,472
Liquidity resources:	
Bank line of credit - Morgan Memorial Goodwill	<u>2,500,000</u>
Total financial assets and liquidity resources available within one year	<u>\$ 7,508,472</u>

As part of the Goodwill’s liquidity management, it structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. To help manage unanticipated liquidity needs, Goodwill has available a line of credit in the amount of \$2,500,000, which it could draw upon. Although Goodwill does not intend to spend from its undesignated investments (other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process), amounts from its undesignated investments could be made available if necessary.

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Notes to Consolidated Financial Statements
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4. LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consists of the following at June 30:

	<u>2019</u>	<u>2018</u>
Land and land improvements	\$ 1,341,164	\$ 1,334,565
Buildings and building improvements	16,680,466	16,639,792
Leasehold improvements	2,697,843	2,683,953
Construction in progress	228,419	121,343
Equipment	<u>10,134,917</u>	<u>9,754,847</u>
	31,082,809	30,534,500
Less: accumulated depreciation	<u>24,440,463</u>	<u>23,391,525</u>
	<u>\$ 6,642,346</u>	<u>\$ 7,142,975</u>

Depreciation expense was \$1,155,997 and \$1,071,424 for the years ended June 30, 2019 and 2018, respectively.

5. INVESTMENTS

Investments are reported at fair value and consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Marketable equity securities (common stocks, mutual funds, exchange traded funds)	\$ 11,719,823	\$ 11,328,207
Government and corporate bonds	6,975,956	5,244,845
Cash and cash equivalents	<u>298,654</u>	<u>683,219</u>
	<u>\$ 18,994,433</u>	<u>\$ 17,256,271</u>

6. BENEFICIAL INTERESTS IN TRUSTS AND SPLIT-INTEREST AGREEMENTS

Goodwill has beneficial interests in perpetual trusts valued at \$5,931,761 and \$5,888,048 at June 30, 2019 and 2018, respectively. The principal is restricted in perpetuity. The net income generated by the investments is distributed to the beneficiaries, and is unrestricted income. Distributions from these trusts were \$280,781 and \$196,009 for the years ended June 30, 2019 and 2018, respectively. Goodwill has other split-interest agreements (primarily charitable trusts) valued at \$340,948 and \$326,853 at June 30, 2019 and 2018, respectively.

Increases (decreases) in the value of the trust assets (including unrealized gains and losses), amounted to \$3,738 and \$226,199 for the years ended June 30, 2019 and 2018, respectively.

Charitable remainder trusts have been discounted using a discount rate of 5%.

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Notes to Consolidated Financial Statements
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7. BORROWINGS

Revolving Line of Credit

Goodwill has available a revolving line of credit of \$2,500,000 with a bank which was renewed on December 31, 2018. Borrowings are due on demand and interest accrues at a fluctuating per annum rate equal to the 30-day LIBOR rate as provided by the British Bankers' Association plus 200 basis points (4.39% and 4.07% at June 30, 2019 and 2018, respectively). All deposit accounts with the bank and certain marketable securities are pledged as collateral for the revolving line of credit. There was no balance outstanding at both June 30, 2019 and 2018. There was no interest expense related to the line of credit for the years ended June 30, 2019 and 2018.

Construction Line of Credit

Effective March 15, 2016, Goodwill entered into a non-revolving line of credit facility with the same bank. The facility allowed for borrowings of up to the lesser of \$5,000,000, or 70% of the marketable securities which secure the borrowing. Borrowings are to be used for build-out for new retail stores or renovating existing retail stores. Advances under this agreement are required to occur by March 15, 2021. Borrowings accrue interest at a fluctuating per annum rate equal to the 30-day LIBOR rate as provided by the British Bankers' Association plus 200 basis points (4.39% and 4.07% at June 30, 2019 and 2018, respectively). Borrowings are due in monthly payments (commencing on April 1, 2021) based on a ten year amortization schedule. The entire balance and principal and all accrued interest thereon, and all other fees, costs, and charges, if any, shall be due and payable on or before March 15, 2031. Borrowings are cross-collateralized with all deposit accounts with the bank and certain marketable securities as defined in the agreement. This line of credit facility contains certain financial covenants to which Goodwill must adhere. Goodwill was in compliance with these covenants as of June 30, 2019 and 2018. During fiscal 2019 and 2018, Goodwill was advanced \$0 and \$281,090, respectively, under this agreement. The balance outstanding was \$281,090 as of June 30, 2019 and 2018.

Note Payable

On January 18, 2018, Goodwill entered into a promissory note with the same bank in order to refinance certain existing debt (see footnote 8) for \$4,200,000. The loan bears interest at a fixed rate of 5.27% and is payable in monthly principal and interest payments of approximately \$25,000, with any outstanding principal and interest due on January 18, 2043. The note is secured by the land and buildings of Goodwill's headquarters in Boston.

Scheduled principal payments on the note as of June 30, 2019 are as follows:

	<u>Amount</u>
2020	\$ 88,353
2021	93,789
2022	98,925
2023	104,341
2024	109,517
Thereafter	<u>3,586,242</u>
Total	<u>\$ 4,081,167</u>

MORGAN MEMORIAL GOODWILL INDUSTRIES, INC.
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Line of Credit

Pioneer Valley had available \$400,000 revolving line of credit with a bank. The line of credit was secured by substantially all the assets of Pioneer Valley and guaranteed by Goodwill. Borrowings were due on demand and interest accrued at a fluctuating per annum rate equal to the prime rate plus 1.00% (6.0% at June 30, 2018). This line of credit was closed during fiscal year 2019. The outstanding balance on the line of credit was \$293,371 at June 30, 2018.

8. NEW MARKETS TAX CREDITS TRANSACTION

Goodwill previously financed the renovation of its headquarters in part by participating in the New Markets Tax Credit program. In conjunction with the wind down of the related financing certain notes payable were forgiven during fiscal year 2018, and Goodwill recognized a gain on extinguishment of debt of \$9,137,500. In addition, Goodwill recognized a loss on extinguishment of debt of \$6,852,664 as part of the wind down (for the original note receivable amount plus interest receivable). The net impact of \$2,276,490 is shown in the accompanying Consolidated Statement of Activities as a gain on forgiveness of debt.

9. PIONEER VALLEY AFFILIATION

Pursuant to an affiliation agreement between Goodwill and Pioneer Valley, Goodwill became the sole member of Pioneer Valley in late December 2017. Pioneer Valley's net assets of \$1,038,000 on the date of affiliation have been recognized as a contribution in the Consolidated Statement of Activities in fiscal year ended June 30, 2018.

The following table summarizes the estimated fair values of the assets and liabilities assumed by Goodwill at the date of the affiliation:

Recognized amount of identifiable assets acquired	
Accounts receivable	\$ 166,000
Inventory	76,000
Property and equipment	177,000
Other current assets	78,000
Security deposits	40,000
Investments	26,000
Assets held in trust	<u>932,000</u>
Total assets	<u>1,495,000</u>
Recognized amount of liabilities assumed	
Accounts payable and accrued liabilities	324,000
Line of credit	<u>133,000</u>
	<u>457,000</u>
Net assets acquired - unrestricted	106,000
Net assets acquired - permanently restricted	<u>932,000</u>
	<u>\$ 1,038,000</u>

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Notes to Consolidated Financial Statements
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10. EMPLOYEE BENEFIT PLANS

Goodwill maintains an employee benefit plan (“403(b) Plan”) that provides for tax-deferred employee benefits under Section 403(b) of the Internal Revenue Code. The 403(b) Plan allows employees to make contributions, a portion of which may be matched by Goodwill. Goodwill contributed \$105,128 and \$113,029 to the 403(b) Plan for the years ended June 30, 2019 and 2018, respectively.

Goodwill also offers an employee benefit plan (“401(a) Plan”) that provides for tax-deferred employee benefits under Section 401(a) of the Internal Revenue Code. The 401(a) Plan allows participants to make contributions. There were no company contributions to this plan during fiscal 2019 or 2018.

Goodwill also maintains a deferred compensation plan (“457(b) Plan”) for key members of management. As of June 30, 2019 and 2018, the fair value of the assets and the related obligation of the 457(b) Plan were \$292,474 and \$243,416, respectively.

11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as to use are available for the following purposes June 30:

	<u>2019</u>	<u>2018</u>
Programs	\$ 3,873,920	\$ 3,903,143
Beneficial interest in charitable unitrusts	233,618	176,463
Cumulative appreciation and reinvestment gains on permanently restricted net assets	<u>2,002,117</u>	<u>1,558,752</u>
	<u>\$ 6,109,655</u>	<u>\$ 5,638,358</u>

Net assets restricted by donors for permanent endowment consisted consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Permanently restricted, income unrestricted	\$ 3,168,295	\$ 3,168,295
Permanently restricted, income restricted for various purposes	2,197,933	2,197,933
Beneficial interests in perpetual trusts	<u>5,931,761</u>	<u>5,888,048</u>
	<u>\$ 11,297,989</u>	<u>\$ 11,254,276</u>

MORGAN MEMORIAL GOODWILL INDUSTRIES, INC.
Notes to Consolidated Financial Statements
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12. ENDOWMENTS AND ENDOWMENT ACTIVITY

Interpretation of Relevant Law

Goodwill manages its endowment consistent with the Massachusetts Act, the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”). Goodwill’s policy is to preserve the value of the original gifts as of the gift dates and classify the gifts as net assets with donor restrictions (see Note 11). The net appreciation is also classified as net assets which donor restrictions until appropriated for expenditure consistent with donor restrictions and Goodwill’s Total Return Spending Policy.

Endowment Investment Policy

Goodwill has pooled the endowment assets under its management with other funds in a single investment pool and has adopted a uniform investment approach.

Strategies Employed for Achieving Objectives

Under Goodwill’s Investment Policy and Total Return Spending Policy, both of which are approved by the Board of Directors, the investment pool is invested to preserve the long-term purchasing power of Goodwill’s assets relative to inflation and to provide a reasonable, predictable and stable revenue stream to support Goodwill’s mission. Actual returns in any given year may vary. Goodwill relies on a total-return approach in which investment returns are achieved through both capital appreciation and interest and dividends. Goodwill has assigned the management and investment of the investment pool to an investment manager appointed by the Board of Directors based on the recommendation of the Board Investment Committee and subject to the Investment Policy. The Board of Directors provides periodic oversight of the actions of the investment manager through the Investment Committee.

Spending Policy

Goodwill has a total-return spending policy designed to preserve the long-term purchasing power of assets relative to inflation, to provide a reasonable and predictable revenue stream to support Goodwill’s mission, and to allow flexibility relative to extraordinary projects and one-time initiatives. The Board-approved spending formula provides for an annual spending rate of up to 5% of the average simple market value balance of the investment assets (including non-endowment unrestricted investments) for the 20 quarters up to the quarter ending March 31 of the preceding fiscal year, in addition to interest and dividends earned during the fiscal year. The total amount appropriated under the total return spending policy (including appropriations from non-donor restricted investments) was \$584,000 and \$540,000 for the years ended June 30, 2019 and 2018, respectively, which was not withdrawn from the investment portfolio.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below their “historic dollar value.” Deficiencies of this nature are reported as a charge to net assets without donor restrictions. As of June 30, 2019 and 2018, Goodwill had no funds with deficiencies.

Endowment Fund Activity and Net Asset Balances

Goodwill has an endowment comprised of donor-restricted funds that are limited by donor-imposed stipulations. Beneficial interests in perpetual trusts are not included in the endowment.

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Notes to Consolidated Financial Statements
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Endowment fund activity for the fiscal year ended June 30, 2019 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 10,207,999	\$ 6,924,981	\$ 17,132,980
Investment return	1,656,876	678,683	2,335,559
Appropriation of endowment assets for operations (spending policy)	<u>(346,662)</u>	<u>(237,338)</u>	<u>(584,000)</u>
Endowment net assets, end of year	<u>\$ 11,518,213</u>	<u>\$ 7,366,326</u>	<u>\$ 18,884,539</u>

Endowment fund activity for the fiscal year ended June 30, 2018 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 9,380,760	\$ 6,767,446	\$ 16,148,206
Investment return	1,147,783	376,991	1,524,774
Appropriation of endowment assets for operations (spending policy)	<u>(320,544)</u>	<u>(219,456)</u>	<u>(540,000)</u>
Endowment net assets, end of year	<u>\$ 10,207,999</u>	<u>\$ 6,924,981</u>	<u>\$ 17,132,980</u>

13. LEASE COMMITMENTS AND CONTINGENCIES

Operating Leases

Goodwill has non-cancelable operating leases for retail and training facilities and equipment expiring at various dates through 2033. Minimum annual rental commitments under these agreements are as follows as of June 30, 2019:

Year Ending June 30,	
2020	\$ 3,349,299
2021	2,860,478
2022	2,636,143
2023	2,249,337
2024	1,794,978
Thereafter	<u>6,817,104</u>
	<u>\$ 19,707,339</u>

MORGAN MEMORIAL GOODWILL INDUSTRIES, INC.
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Under the terms of certain leases, Goodwill pays for insurance, ordinary repairs and maintenance, heat and real estate taxes. Leases with fixed escalation clauses are accounted for on a straight line basis over the term of the lease. The difference between lease expense and cash payments is recorded as deferred rent in other long-term liabilities. Total deferred rent amounted to \$226,548 and \$233,618 at June 30, 2019 and 2018, respectively. Rent and lease expenses were \$3,478,943 and \$2,914,669 for the years ended June 30, 2019 and 2018, respectively.

Contingencies

In the normal course of business and from time to time, Goodwill is the subject of various claims. Management believes that the ultimate resolution of any such claims would not have a material adverse effect on the financial statements of Goodwill.

14. RELATED PARTY TRANSACTIONS

The Board of Directors has established a disclosure of interest policy, which applies to all members of the board, non-director members of board committees, and officers. All related party transactions are subject to that policy.

One current director is an officer of one of Goodwill's benefit providers that received premiums totaling \$1,394,221 and \$1,018,951 for medical and dental insurance for the years ended June 30, 2019 and 2018, respectively. Another current director is a member of the Board of Directors of two non-profit associations of which Goodwill is a member that received dues and fees for services totaling \$18,158 and \$16,714 for the years ended June 30, 2019 and 2018, respectively.

Each of these transactions was undertaken in the ordinary course of business on the same terms as are generally offered to the public.

15. FAIR VALUE MEASUREMENTS

ASC 820, Fair Value Measurements and Disclosures, establishes a single authoritative definition of fair value, sets a framework for measuring fair value, and requires additional disclosures about fair value measurements. Goodwill classifies its assets and liabilities into Level 1 (securities valued using quoted prices from active markets for identical assets), Level 2 (securities not traded on an active market for which observable market inputs are readily available), and Level 3 (securities valued based on significant unobservable inputs). Investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value, as well as the general classification pursuant to the valuation hierarchy.

Level 1 - Quoted Prices in Active Markets: Investments such as actively traded equity securities, U.S. government obligations and money market funds with quoted market prices in active markets are classified as Level 1.

Level 2 - Significant Other Observable Inputs: Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flow models.

MORGAN MEMORIAL GOODWILL INDUSTRIES, INC.

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

Level 3 - Significant Unobservable Inputs: Beneficial Interest in Perpetual Trusts is classified as Level 3 because Goodwill's share in the trusts does not have an active market. Goodwill estimates the recurring fair value of the trusts based on Goodwill's share of the underlying investment portfolios that consist primarily of actively traded equities, bonds and money market funds. The trusts are managed by financial institutions and investment managers who provide detailed statements on a regular basis presenting the market value of the portfolio on an individual investment security basis.

Beneficial Interest in charitable trusts is classified as Level 3 because Goodwill's share in these agreements does not have an active market. Goodwill estimates the recurring fair value based on Goodwill's share of the underlying investment portfolio that consists of actively traded equities, bonds and money market funds.

The valuation methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Goodwill believes its valuation methods are appropriate and consistent with those used by 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 and that difference may be material to Goodwill's consolidated financial statements.

Goodwill's financial assets that are accounted for at fair value on a recurring basis as of June 30, 2019 and 2018, by level within the fair value hierarchy, are presented in the table on the following page. Financial assets measured at fair value on a non-recurring basis, such as contributions receivable and gift annuities, are excluded from the table.

Description	As of June 30, 2019		
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Marketable equity securities	\$ 11,719,823	\$ -	\$ -
Corporate bonds and government securities	-	6,975,956	-
Cash and cash equivalents	298,654	-	-
Beneficial interest in perpetual trusts	-	-	5,933,761
Charitable trusts	-	-	340,948
Total	<u>\$ 12,018,477</u>	<u>\$ 6,975,956</u>	<u>\$ 6,274,709</u>

MORGAN MEMORIAL GOODWILL INDUSTRIES, INC.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

Description	As of June 30, 2018		
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Marketable equity securities	\$ 11,328,207	\$ -	\$ -
Fixed income - government bonds	200,606	-	-
Fixed income - corporate bonds	-	5,044,239	-
Money market mutual funds	683,219	-	-
Beneficial interest in perpetual trusts	-	-	5,888,048
Charitable trusts	-	-	326,853
Total	\$ 12,212,032	\$ 5,044,239	\$ 6,214,901

The following is a summary of the change in the fair value of assets measured at fair value on a recurring basis using significant unobservable inputs for the year ended June 30, 2019:

	Charitable Trusts	Perpetual Trusts	Total
Beginning balance	\$ 326,853	\$ 5,888,048	\$ 6,214,901
Total gains included in changes in net assets	14,095	43,713	57,808
Ending balance	\$ 340,948	\$ 5,931,761	\$ 6,272,709

The following is a summary of the change in the fair value of assets measured at fair value on a recurring basis using significant unobservable inputs for the year ended June 30, 2018:

	Charitable Trusts	Perpetual Trusts	Total
Beginning balance	\$ 312,728	\$ 4,730,274	\$ 5,043,002
Pioneer Valley acquisition	-	931,575	931,575
Total gains included in changes in net assets	14,125	226,199	240,324
Ending balance	\$ 326,853	\$ 5,888,048	\$ 6,214,901

MORGAN MEMORIAL GOODWILL INDUSTRIES, INC.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

16. SUBSEQUENT EVENTS

Goodwill has evaluated all subsequent events through September 24, 2019, the date that the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

MORGAN MEMORIAL GOODWILL INDUSTRIES, INC.
Consolidating Statement of Financial Position
As of June 30, 2019

	Morgan Memorial Goodwill Industries, Inc.	Goodwill Industries of the Pioneer Valley*	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 2,524,985	\$ 97,139	\$ 2,622,124
Accounts receivable	1,419,635	343,713	1,763,348
Inventory	616,249	65,057	681,306
Prepaid expenses	594,561	16,030	610,591
Total current assets	<u>5,155,430</u>	<u>521,939</u>	<u>5,677,369</u>
Land, buildings and equipment, net	<u>6,570,827</u>	<u>71,519</u>	<u>6,642,346</u>
Other assets			
Investments	18,966,443	27,990	18,994,433
Beneficial interests in trusts and split-interest agreements	5,342,073	930,636	6,272,709
Other noncurrent assets	480,182	15,632	495,814
Total other assets	<u>24,788,698</u>	<u>974,258</u>	<u>25,762,956</u>
Total assets	<u>\$ 36,514,955</u>	<u>\$ 1,567,716</u>	<u>\$ 38,082,671</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	\$ 1,010,769	\$ 185,872	\$ 1,196,641
Accrued payroll and employee benefits	1,067,943	146,193	1,214,136
Due to (from) related organization	(621,619)	621,619	-
Other current liabilities	409,795	2,750	412,545
Current portion of long-term debt	88,353	-	88,353
Total current liabilities	<u>1,955,241</u>	<u>956,434</u>	<u>2,911,675</u>
Long-term liabilities			
Long-term debt	4,273,904	-	4,273,904
Other long-term liabilities	530,069	-	530,069
Total long-term liabilities	<u>4,803,973</u>	<u>-</u>	<u>4,803,973</u>
Total liabilities	<u>6,759,214</u>	<u>956,434</u>	<u>7,715,648</u>
Net assets			
Without donor restrictions	13,278,731	(319,354)	12,959,377
With donor restrictions	16,477,010	930,636	17,407,646
Total net assets	<u>29,755,741</u>	<u>611,282</u>	<u>30,367,023</u>
Total liabilities and net assets	<u>\$ 36,514,955</u>	<u>\$ 1,567,716</u>	<u>\$ 38,082,671</u>

MORGAN MEMORIAL GOODWILL INDUSTRIES, INC.
Consolidating Statement of Activities
For the year ended June 30, 2019

	Morgan Memorial Goodwill Industries, Inc.			Goodwill Industries of the Pioneer Valley*			Total		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES AND OTHER SUPPORT									
Retail sales	\$ 17,778,388	\$ -	\$ 17,778,388	\$ 3,587,221	\$ -	\$ 3,587,221	\$ 21,365,609	\$ -	\$ 21,365,609
Contributions of donated goods	6,851,763	-	6,851,763	730,861	-	730,861	7,582,624	-	7,582,624
Fees and grants	4,618,476	-	4,618,476	2,755,798	-	2,755,798	7,374,274	-	7,374,274
Worksite revenue	3,376,249	-	3,376,249	-	-	-	3,376,249	-	3,376,249
Contributions and bequests	1,359,200	419,535	1,778,735	32,232	-	32,232	1,391,432	419,535	1,810,967
Trust interest income	211,569	-	211,569	69,212	-	69,212	280,781	-	280,781
Income appropriated under total return spending policy	584,000	-	584,000	-	-	-	584,000	-	584,000
Net assets released from purpose restrictions	389,581	(389,581)	-	-	-	-	389,581	(389,581)	-
Other revenue	890	-	890	45,035	-	45,035	45,925	-	45,925
Total operating revenues and other support	<u>35,170,116</u>	<u>29,954</u>	<u>35,200,070</u>	<u>7,220,359</u>	<u>-</u>	<u>7,220,359</u>	<u>42,390,475</u>	<u>29,954</u>	<u>42,420,429</u>
OPERATING EXPENSES									
Program services									
Retail enterprise									
Cost of goods sold - retail	6,834,151	-	6,834,151	725,088	-	725,088	7,559,239	-	7,559,239
Other retail	15,847,685	-	15,847,685	3,678,988	-	3,678,988	19,526,673	-	19,526,673
Total retail enterprise	22,681,836	-	22,681,836	4,404,076	-	4,404,076	27,085,912	-	27,085,912
Job training, career and youth services	7,241,107	-	7,241,107	2,240,772	-	2,240,772	9,481,879	-	9,481,879
Total program services	29,922,943	-	29,922,943	6,644,848	-	6,644,848	36,567,791	-	36,567,791
Support services									
Management and general	3,407,119	-	3,407,119	858,456	-	858,456	4,265,575	-	4,265,575
Fundraising	1,117,389	-	1,117,389	-	-	-	1,117,389	-	1,117,389
Total support services	4,524,508	-	4,524,508	858,456	-	858,456	5,382,964	-	5,382,964
Total operating expenses	34,447,451	-	34,447,451	7,503,304	-	7,503,304	41,950,755	-	41,950,755
Change in net assets from operating activities	722,665	29,954	752,619	(282,945)	-	(282,945)	439,720	29,954	469,674
NON-OPERATING ACTIVITIES									
Investment return, net of amounts appropriated under total return spending policy	665,300	441,345	1,106,645	-	-	-	665,300	441,345	1,106,645
Other revenues (expenses)	-	-	-	(21,792)	39,975	18,183	(21,792)	39,975	18,183
Change in fair value of beneficial interests in trusts and split-interest agreements	-	44,652	44,652	-	(40,914)	(40,914)	-	3,738	3,738
Change in net assets from non-operating activities	665,300	485,997	1,151,297	(21,792)	(939)	(22,731)	643,508	485,058	1,128,566
Change in net assets	1,387,965	515,951	1,903,916	(304,737)	(939)	(305,676)	1,083,228	515,012	1,598,240
Net assets beginning of year	11,890,766	15,961,059	27,851,825	(14,617)	931,575	916,958	11,876,149	16,892,634	28,768,783
Net assets end of year	<u>\$ 13,278,731</u>	<u>\$ 16,477,010</u>	<u>\$ 29,755,741</u>	<u>\$ (319,354)</u>	<u>\$ 930,636</u>	<u>\$ 611,282</u>	<u>\$ 12,959,377</u>	<u>\$ 17,407,646</u>	<u>\$ 30,367,023</u>