

Consolidated Financial Statements and  
Report of Independent Certified Public  
Accountants

**Morgan Memorial Goodwill Industries, Inc.**

June 30, 2021 and 2020

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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 (collectively, "Goodwill"), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

**Management's responsibility for the financial statements**

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

**Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards 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. as of June 30, 2021 and 2020, 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.

*Grant Thornton LLP*

Boston, Massachusetts  
September 24, 2021

**Morgan Memorial Goodwill Industries, Inc.**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**June 30, 2021 and 2020**

<b>ASSETS</b>	<b>2021</b>	<b>2020</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 6,945,957	\$ 2,606,767
Accounts receivable	1,360,247	925,650
Inventory	652,917	671,200
Prepaid expenses	591,582	715,267
Total current assets	9,550,703	4,918,884
<b>NON-CURRENT ASSETS</b>		
Land, buildings and equipment, net	5,295,509	5,840,299
Investments	24,735,632	20,189,126
Beneficial interests in trusts and split-interest agreements	7,332,090	6,330,514
Other noncurrent assets	474,468	455,375
Total non-current assets	37,837,699	32,815,314
Total assets	\$ 47,388,402	\$ 37,734,198
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 979,615	\$ 1,632,695
Accrued payroll and employee benefits	1,791,048	1,383,716
Current portion of long-term debt	122,052	63,271
Total current liabilities	2,892,715	3,079,682
<b>LONG-TERM LIABILITIES</b>		
Long-term debt	4,099,208	4,225,690
Paycheck Protection Plan (PPP) Loan	3,393,607	-
Other long-term liabilities	1,127,249	900,734
Total long-term liabilities	8,620,064	5,126,424
Total liabilities	11,512,779	8,206,106
<b>NET ASSETS</b>		
Without donor restrictions	15,058,251	11,493,458
With donor restrictions	20,817,372	18,034,634
Total net assets	35,875,623	29,528,092
Total liabilities and net assets	\$ 47,388,402	\$ 37,734,198

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, 2021 (with summarized information for the year ended June 30, 2020)

	2021		Total	2020 Total
	Without donor restrictions	With donor restrictions		
<b>OPERATING REVENUES AND OTHER SUPPORT</b>				
Retail sales	\$ 16,942,376	\$ -	\$ 16,942,376	\$ 16,426,340
Donated goods	7,254,635	-	7,254,635	7,457,775
Government contracts and grants	4,733,438	-	4,733,438	5,796,771
Worksite revenue	3,616,045	-	3,616,045	3,484,500
Contributions and bequests	1,422,825	744,736	2,167,561	2,509,687
Trust income	263,038	-	263,038	255,437
Income appropriated under total return spending policy	664,000	-	664,000	623,004
Net assets released from restrictions	403,356	(403,356)	-	-
Other revenue	46,184	-	46,184	48,477
	<u>35,345,897</u>	<u>341,380</u>	<u>35,687,277</u>	<u>36,601,991</u>
<b>OPERATING EXPENSES</b>				
Program services				
Retail enterprise				
Cost of goods sold - retail	7,272,918	-	7,272,918	7,467,881
Other retail	16,333,572	-	16,333,572	18,164,935
Total retail enterprise	23,606,490	-	23,606,490	25,632,816
Job training and career services	6,704,948	-	6,704,948	8,122,238
Total program services	30,311,438	-	30,311,438	33,755,054
Support services				
Management and general	3,270,444	-	3,270,444	3,486,289
Fundraising	649,306	-	649,306	904,140
Total support services	3,919,750	-	3,919,750	4,390,429
Total operating expenses	34,231,188	-	34,231,188	38,145,483
Change in net assets from operating activities	1,114,709	341,380	1,456,089	(1,543,492)
<b>NON-OPERATING ACTIVITIES</b>				
Investment return, net of amounts appropriated under total return spending policy	2,450,084	1,439,782	3,889,866	558,739
Gain on sale of property and equipment	-	-	-	84,155
Changes in fair value of beneficial interests in trusts and split-interest agreements	-	1,001,576	1,001,576	61,667
Change in net assets from non-operating activities	2,450,084	2,441,358	4,891,442	704,561
Change in net assets	3,564,793	2,782,738	6,347,531	(838,931)
Net assets beginning of year	11,493,458	18,034,634	29,528,092	30,367,023
Net assets end of year	<u>\$ 15,058,251</u>	<u>\$ 20,817,372</u>	<u>\$ 35,875,623</u>	<u>\$ 29,528,092</u>

The accompanying notes are an integral part of this consolidated financial statement.

**Morgan Memorial Goodwill Industries, Inc.**

**CONSOLIDATED STATEMENT OF ACTIVITIES**

**For the year ended June 30, 2020**

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
<b>OPERATING REVENUE AND OTHER SUPPORT</b>			
Retail sales	\$ 16,426,340	\$ -	\$ 16,426,340
Donated goods	7,457,775	-	7,457,775
Government contracts and grants	5,796,771	-	5,796,771
Worksite revenue	3,484,500	-	3,484,500
Contributions and bequests	1,910,029	599,658	2,509,687
Trust income	255,437	-	255,437
Income appropriated under total return spending policy	623,004	-	623,004
Net assets released from restrictions	250,000	(250,000)	-
Other revenue	48,477	-	48,477
	<b>36,252,333</b>	<b>349,658</b>	<b>36,601,991</b>
<b>OPERATING EXPENSES</b>			
Program services			
Retail enterprise			
Cost of goods sold - retail	7,467,881	-	7,467,881
Other retail	18,164,935	-	18,164,935
Total retail enterprise	25,632,816	-	25,632,816
Job training and career services	8,122,238	-	8,122,238
Total program services	33,755,054	-	33,755,054
Support services			
Management and general	3,486,289	-	3,486,289
Fundraising	904,140	-	904,140
Total support services	4,390,429	-	4,390,429
Total operating expenses	38,145,483	-	38,145,483
Change in net assets from operating activities	(1,893,150)	349,658	(1,543,492)
<b>NON-OPERATING ACTIVITIES</b>			
Investment return, net of amounts appropriated under total return spending policy	343,076	215,663	558,739
Gain on sale of property and equipment	84,155	-	84,155
Changes in fair value of beneficial interests in trusts and split-interest agreements	-	61,667	61,667
Change in net assets from non-operating activities	427,231	277,330	704,561
Change in net assets	(1,465,919)	626,988	(838,931)
Net assets beginning of year	12,959,377	17,407,646	30,367,023
Net assets end of year	\$ 11,493,458	\$ 18,034,634	\$ 29,528,092

The accompanying notes are an integral part of this consolidated financial statement.

**Morgan Memorial Goodwill Industries, Inc.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**For the years ended June 30, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 6,347,531	\$ (838,931)
Adjustments to reconcile change in net assets to net cash provided by operations:		
Net realized and unrealized gains on investments	(4,144,065)	(787,112)
Changes in fair value of beneficial interests in trusts and split-interest agreements	(1,001,576)	(57,805)
Depreciation	957,246	1,130,399
Donated leasehold improvements	(278,356)	-
Changes in operating assets and liabilities:		
Accounts receivable	(434,597)	837,698
Inventory	18,283	10,106
Prepaid expenses	123,685	(104,676)
Other assets	(19,093)	40,439
Accounts payable and accrued expenses	(653,080)	436,054
Accrued payroll and employee benefits	407,332	169,580
Other long-term liabilities	226,515	(41,880)
Net cash provided by operating activities	<u>1,549,825</u>	<u>793,872</u>
<b>Cash flows from investing activities:</b>		
Purchase of land, buildings and equipment	(134,100)	(328,352)
Purchases of investments	(4,277,369)	(4,305,617)
Proceeds from sales of investments	3,874,928	3,898,036
Net cash used in investing activities	<u>(536,541)</u>	<u>(735,933)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from Paycheck Protection Plan (PPP) Loan	3,393,607	-
Principal payments on note payable	(67,701)	(73,296)
Net cash provided by (used in) financing activities	<u>3,325,906</u>	<u>(73,296)</u>
Net change in cash and cash equivalents	4,339,190	(15,357)
<b>Cash and cash equivalents, beginning of year</b>	<u>2,606,767</u>	<u>2,622,124</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 6,945,957</u>	<u>\$ 2,606,767</u>
<b>Supplemental disclosures:</b>		
Contributions of donated goods and purchased goods	\$ 7,254,635	\$ 7,457,775
Noncash changes to inventory	(18,283)	(10,106)
Cash paid for interest	214,678	227,496
Donated leasehold improvements	278,356	-

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, 2021 (with summarized information for the year ended June 30, 2020)

	Program services			Support services			2021 Total	2020 Total
	Retail enterprise	Job training and career services	Total program services	Management and general	Fundraising	Total support services		
Cost of goods sold - retail	\$ 7,272,918	\$ -	\$ 7,272,918	\$ -	\$ -	\$ -	\$ 7,272,918	\$ 7,467,881
Salaries and wages	6,251,834	3,740,132	9,991,966	2,010,263	332,005	2,342,268	12,334,234	14,658,325
Employee benefits	1,338,523	1,072,859	2,411,382	331,985	48,515	380,500	2,791,882	3,706,884
Non-payroll - temporary help	29,368	37,418	66,786	30,291	410	30,701	97,487	76,270
Total salaries and related expenses	7,619,725	4,850,409	12,470,134	2,372,539	380,930	2,753,469	15,223,603	18,441,479
Occupancy	5,252,815	746,873	5,999,688	186,289	14,906	201,195	6,200,883	6,511,695
Professional fees and contracts	269,287	268,187	537,474	410,249	59,618	469,867	1,007,341	1,031,137
Events	4,159	5,510	9,669	636	34,815	35,451	45,120	65,464
Goods and supplies	772,890	290,521	1,063,411	111,397	61,140	172,537	1,235,948	1,360,309
Vehicle and travel expenses	1,364,040	105,384	1,469,424	9,818	18	9,836	1,479,260	1,211,196
Real and maintenance of equipment	174,933	61,408	236,341	39,077	4,655	43,732	280,073	305,912
Printing, advertising and publications	27,771	30,697	58,468	15,292	73,543	88,835	147,303	204,271
Meetings and dues	77,816	35,437	113,253	47,543	2,759	50,302	163,555	179,744
Bad debt expense	-	2,260	2,260	-	1,000	1,000	3,260	8,500
Interest expense	116,165	46,791	162,956	44,719	7,003	51,722	214,678	227,496
Depreciation	653,971	261,471	915,442	32,885	8,919	41,804	957,246	1,130,399
Total other expenses	8,713,847	1,854,539	10,568,386	897,905	268,376	1,166,281	11,734,667	12,236,123
Total operating expenses	\$ 23,606,490	\$ 6,704,948	\$ 30,311,438	\$ 3,270,444	\$ 649,306	\$ 3,919,750	\$ 34,231,188	\$ 38,145,483

The accompanying notes are an integral part of this consolidated financial statement.

Morgan Memorial Goodwill Industries, Inc.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2020

	Program services			Support services			2020 Total
	Retail enterprise	Job training and career services	Total program services	Management and general	Fundraising	Total support services	
Cost of goods sold - retail	\$ 7,467,881	\$ -	\$ 7,467,881	\$ -	\$ -	\$ -	\$ 7,467,881
Salaries and wages	7,282,324	4,681,017	11,963,341	2,264,147	430,837	2,694,984	14,658,325
Employee benefits	1,844,376	1,382,844	3,227,220	418,661	61,003	479,664	3,706,884
Non-payroll - temporary help	65,975	744	66,719	303	9,248	9,551	76,270
Total salaries and related expenses	9,192,675	6,064,605	15,257,280	2,683,111	501,088	3,184,199	18,441,479
Occupancy	5,586,598	716,344	6,302,942	191,449	17,304	208,753	6,511,695
Professional fees and contracts	298,199	313,733	611,932	251,468	167,737	419,205	1,031,137
Events	11,493	37,617	49,110	11,600	4,754	16,354	65,464
Goods and supplies	772,867	371,801	1,144,668	141,494	74,147	215,641	1,360,309
Vehicle and travel expenses	1,034,346	150,204	1,184,550	26,277	369	26,646	1,211,196
Real and maintenance of equipment	201,806	66,295	268,101	32,843	4,968	37,811	305,912
Printing, advertising and publications	67,897	13,155	81,052	18,773	104,446	123,219	204,271
Meetings and dues	89,737	43,419	133,156	42,852	3,736	46,588	179,744
Bad debt expense	-	-	-	-	8,500	8,500	8,500
Interest expense	120,463	53,394	173,857	47,189	6,450	53,639	227,496
Depreciation	788,854	291,671	1,080,525	39,233	10,641	49,874	1,130,399
Total other expenses	8,972,260	2,057,633	11,029,893	803,178	403,052	1,206,230	12,236,123
Total operating expenses	\$ 25,632,816	\$ 8,122,238	\$ 33,755,054	\$ 3,486,289	\$ 904,140	\$ 4,390,429	\$ 38,145,483

The accompanying notes are an integral part of this consolidated financial statement.

**Morgan Memorial Goodwill Industries, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**June 30, 2021 and 2020**

**NOTE 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 looking for 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 across 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 years 2021 or 2020.

Goodwill is supported from various sources, including retail sales and donated goods (69%), government contracts and grants (including federal, state and local governments) (14%), worksite revenue (10%), contributions and bequests (6%), and other sources (1%) for the fiscal year ended June 30, 2021.

**NOTE 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").

***Classification and Reporting of Net Assets***

The consolidated 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. Included in this category are net assets totaling \$900,508 designated by the Board of Directors (\$250,000 for the new Springfield Operations and Training Center project and \$650,508 for the Fresh Air Camp).

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.

**Morgan Memorial Goodwill Industries, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

***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 based on loss experience, known or inherent risks and current economic conditions.

***Inventory and 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 \$7,254,635 and \$7,457,775 for the years ended June 30, 2021 and 2020, 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.

***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 is calculated over the estimated useful lives of the assets on a straight-line basis as follows:

Description	Years
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 investment return, including interest, dividends, realized and unrealized gains and losses on investments is included in the consolidated statements of activities.

***Revenue Recognition***

During 2021, Goodwill adopted Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This standard requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods and services to customers. ASU 2014-09 replaces most existing revenue recognition guidance in US GAAP. The standard also requires expanded disclosures related to the nature, amount, and timing of revenue and cash flows from contracts with customers. Goodwill adopted the new standard effective for the year ended June 30, 2021, using the modified retrospective method. Based on Goodwill’s review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under this new standard. The adoption of this standard had no impact on the consolidated financial statements.

**Morgan Memorial Goodwill Industries, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

Goodwill evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, Goodwill applies guidance for exchange transactions. If the transfer of assets is determined to be a contribution, Goodwill evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before Goodwill is entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

Retail sales

Retail sales are recognized at the time of sale.

Government Contracts and Grants, and Worksite Revenue

Goodwill has contracts and grants from federal and state agencies that are contingent upon Goodwill meeting donor requirements which include carrying out certain activities and/or incurring qualified expenditures stipulated by the contracts and grants. As of June 30, 2021, amounts that may be received from such awards is estimated to be approximately \$1,135,000.

Contributions and Bequests

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. Goodwill has conditional grants from federal and state agencies that are contingent upon Goodwill meeting donor imposed barriers which include carrying out certain activities and incurring qualified expenditures stipulated by the grants. Grants and contracts (including certain worksite contracts), for which the contractual performance obligations have not yet been made, or the right to recognize revenue is dependent on future events, totaled \$1,135,000 at June 30, 2021.

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 also applies to restricted contributions for which donor-imposed stipulations are met in the same fiscal year as they are received.

Donated Goods and In-Kind Services

Donated goods (other than clothing and household goods) are reported at the fair value of the goods at the time of donations. Donated services are evaluated to determine if they meet the criteria for recognition in the consolidated financial statements. The value of such donated goods and in-kind services was approximately \$278,000 and \$0 during the years ended June 30, 2021 and 2020, respectively.

***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.

**Morgan Memorial Goodwill Industries, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

***Income Taxes***

Goodwill and GHI 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. They are required to assess uncertain tax positions and have determined that there were no such positions that are material to the consolidated financial statements at June 30, 2021 or 2020.

***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 consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

***Recently Issued Accounting Pronouncements***

**Leases**

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, *Leases* (Topic 842). The new standard requires the recognition of assets (right-of-use assets) and liabilities arising from lease transactions on the statement of financial position and the disclosure of key information about leasing arrangements. Accordingly, a lessee will recognize a lease asset for its right to use the underlying asset and a lease liability for the corresponding lease obligation. Both the asset and liability will initially be measured at the present value of the future minimum lease payments over the lease term. The new guidance will classify leases as either finance or operating leases, with classification determining the presentation of expenses and cash flows on Goodwill's consolidated financial statements. For non-public entities, the amendment is effective for financial periods beginning after December 15, 2021 with early adoption permitted. Goodwill is in the process of evaluating the impact of this pronouncement, which is expected to result in an increase in assets and liabilities on the consolidated statement of financial position. Goodwill's lease commitments are included in Note 12. Adoption is not expected to have a material impact on Goodwill's results of operations.

**Gifts-In-Kind**

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which improves transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. ASU 2020-07 will be effective for Goodwill for the year ended June 30, 2022.

**Morgan Memorial Goodwill Industries, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

**NOTE 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:

	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 6,945,957	\$ 2,606,767
Accounts receivable to be collected during the year	1,360,247	925,650
Future fiscal year spending policy allocation	725,000	664,000
Total financial assets available within one year	9,031,204	4,196,417
Liquidity resources:		
Bank lines of credit	5,500,000	7,218,910
Total financial assets and liquidity resources available within one year	\$ 14,531,204	\$ 11,415,327

As part of Goodwill's liquidity management, it structures its financial assets to be available as its general expenditures come due. In addition, although Goodwill does not intend to spend from its Board designated investments (other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process), amounts from its Board designated investments could be made available if necessary.

**NOTE 4 - LAND, BUILDINGS AND EQUIPMENT**

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

	2021	2020
Land and land improvements	\$ 1,336,160	\$ 1,336,160
Buildings and building improvements	16,818,539	16,736,251
Leasehold improvements	3,338,873	3,142,803
Construction in progress	90,721	36,253
Equipment	10,462,100	10,382,470
	32,046,393	31,633,937
Less: accumulated depreciation	26,750,884	25,793,638
	\$ 5,295,509	\$ 5,840,299

Depreciation expense was \$957,246 and \$1,130,399 for the years ended June 30, 2021 and 2020, respectively.

**Morgan Memorial Goodwill Industries, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

**NOTE 5 - INVESTMENTS**

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

	2021	2020
Marketable equity securities (common stocks, mutual funds, exchange traded funds)	\$ 6,409,498	\$ 11,837,649
Government and corporate bonds	7,827,230	7,411,227
Cash and cash equivalents	498,904	940,250
	\$ 24,735,632	\$ 20,189,126

**NOTE 6 - BENEFICIAL INTERESTS IN TRUSTS AND SPLIT-INTEREST AGREEMENTS**

Goodwill has beneficial interests in perpetual trusts valued at \$6,954,198 and \$5,993,429 at June 30, 2021 and 2020, respectively. The principal is restricted in perpetuity. The net income generated by the investments is distributed to the beneficiaries and is income without donor restrictions. Distributions from these trusts were \$263,038 and \$255,437 for the years ended June 30, 2021 and 2020, respectively and are reflected as trust income in the accompany statements of activities. Goodwill has other split-interest agreements (primarily charitable trusts) valued at \$377,892 and \$337,085 at June 30, 2021 and 2020, respectively.

Increases in the value of the trust assets (including unrealized gains and losses), amounted to \$960,769 and \$61,667 for the years ended June 30, 2021 and 2020, respectively.

**NOTE 7 - BORROWINGS**

Goodwill has entered into a number of agreements to borrow funds from a single bank.

***Revolving Line of Credit***

A revolving line of credit was secured that allows for borrowings of up to \$5,000,000 effective June 28, 2021. Prior to this date the line allowed for borrowings of up to \$2,500,000. Any unpaid principal and interest are due on demand. Interest accrues at a fluctuating per annum rate equal to 2% per annum over LIBOR, (2.07% and 2.18% at June 30, 2021 and 2020, respectively). There was no balance outstanding at either June 30, 2021 or 2020. There was no interest expense related to the line of credit for either of the years ended June 30, 2021 and 2020.

***Former Construction Line of Credit/Term Loan***

A former construction line of credit was converted to a \$281,000 note in April 2021, payable with interest fluctuating per annum rate equal to 2% per annum over LIBOR (2.07% at June 30, 2021), to be repaid based upon a ten-year amortization schedule. The entire balance of principal and all accrued interest thereon, and all other fees, costs and charges, if any, shall be due and payable on or before March 31, 2031.

The balance outstanding was \$275,013 and \$281,090 as of June 30, 2021 and 2020, respectively.



**Morgan Memorial Goodwill Industries, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

***Non-revolving Construction Line of Credit***

An additional non-revolving line of credit facility was secured in June 2021. The agreement allows for up to \$500,000 of total advances through June 28, 2024. Borrowings are to be used for build-out for new retail stores or renovating existing retail stores. Interest only payments are due monthly from July 2021 through June 2024. Commencing monthly in July 2024 through March 2031, interest on the unpaid principal then outstanding and principal shall be paid, based upon a 10-year amortization schedule. Any outstanding principal and accrued interest shall be due and payable on or before June 28, 2034.

There were no amounts outstanding under this line of credit as of June 30, 2021.

These borrowings are cross collateralized with all deposit accounts with the bank and certain marketable securities as defined in the agreements.

Under these agreements, Goodwill must adhere to certain financial and non-financial covenants. Goodwill was in compliance with these covenants as of June 30, 2021.

***Note Payable***

On January 18, 2018, Goodwill entered a promissory note with a bank in order to refinance certain existing debt 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. In May 2020, Goodwill entered into an amendment which deferred all principal and interest payments from that point through October 2020. The note is secured by the land and buildings of Goodwill's headquarters in Boston. The balance outstanding on the note payable was \$3,946,247 and \$4,007,872 as June 30, 2021 and 2020, respectively.

Scheduled principal payments as of June 30, 2021 on the note and lines of credit are as follows:

	<u>Amount</u>
2022	\$ 122,052
2023	127,873
2024	133,437
2025	140,402
2026	147,172
Thereafter	<u>3,550,324</u>
Total	<u>\$ 4,221,260</u>

**NOTE 8 - PAYCHECK PROTECTION PROGRAM PLAN (PPP) LOAN**

In February 2021, Goodwill was granted a loan in the aggregate amount of \$3,393,607, pursuant to the Paycheck Protection Program of the CARES Act.

The loan, which was in the form of a note dated February 12, 2021, matures on February 12, 2026 and bears interest at a rate of 1.00% per annum, payable monthly commencing on December 2021. The note may be prepaid by Goodwill at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for certain costs, such as payroll costs and occupancy expenses. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. Management believes all funds were utilized for qualifying expenses and intends to apply for full forgiveness.

**Morgan Memorial Goodwill Industries, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

**NOTE 9 - 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 Code. The 403(b) Plan allows employees to make contributions, a portion of which may be matched by Goodwill. Goodwill contributed \$117,340 and \$121,818 to the 403(b) Plan for the years ended June 30, 2021 and 2020, respectively.

Goodwill also offers an employee benefit plan (“401(a) Plan”) that provides for tax-deferred employee benefits under Section 401(a) of the Code. The 401(a) Plan allows participants to make contributions. There were no contributions from Goodwill to this plan during 2021 and 2020.

Goodwill also maintains a deferred compensation plan (“457(b) Plan”) for key members of management. As of June 30, 2021, and 2020, the fair value of the assets and the related obligation of the 457(b) Plan were \$406,453 and \$312,681, respectively, and are included in other noncurrent assets and other long-term liabilities in the accompanying statements of financial position.

**NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS**

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

	2021	2020
Programs	\$ 4,482,403	\$ 4,132,470
Beneficial interest in charitable unitrusts	377,892	337,085
Cumulative appreciation and reinvestment gains on net assets restricted in perpetuity	3,636,650	2,205,421
	\$ 8,496,945	\$ 6,674,976

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

	2021	2020
Income to be used for general purposes	\$ 3,168,295	\$ 3,168,295
Income restricted for various purposes	2,197,934	2,197,934
Beneficial interests in perpetual trusts	6,954,198	5,993,429
	\$ 12,320,427	\$ 11,359,658

**NOTE 11 - ENDOWMENTS AND ENDOWMENT ACTIVITY**

***Interpretation of Relevant Law***

Goodwill manages its donor restricted endowment funds consistent with 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 10). The net appreciation is also classified as net assets with donor restrictions until appropriated for expenditure consistent with donor restrictions and Goodwill’s Total Return Spending Policy.

**Morgan Memorial Goodwill Industries, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

***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 regular 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 4% of the average simple market value balance of the investment assets (including non-endowment investments without donor restrictions) for the 20 quarters up to the quarter ending March 31 of the preceding fiscal year. The total amount appropriated under the total return spending policy was \$664,000 and \$623,004 for the years ended June 30, 2021 and 2020, 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 with donor restrictions. As of June 30, 2021, and 2020, Goodwill had no funds with deficiencies.

***Endowment Fund Activity and Net Asset Balances***

Goodwill has an endowment comprised of both Board designated funds and donor-restricted funds. Beneficial interests in perpetual trusts are not included in the endowment.

**Morgan Memorial Goodwill Industries, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

Endowment fund activity for the year ended June 30, 2021 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 12,532,666	\$ 7,571,650	\$ 20,104,316
Investment return, net	3,484,187	1,681,932	5,166,119
Additions	97,500	-	97,500
Appropriation of endowment assets for operations (spending policy)	<u>(413,296)</u>	<u>(250,704)</u>	<u>(664,000)</u>
Endowment net assets, end of year	<u>\$ 15,700,057</u>	<u>\$ 9,002,878</u>	<u>\$ 24,703,935</u>

Endowment fund activity for the year ended June 30, 2020 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 11,518,213	\$ 7,366,326	\$ 18,884,539
Investment return, net	1,395,854	446,927	1,842,781
Appropriation of endowment assets for operations (spending policy)	<u>(381,401)</u>	<u>(241,603)</u>	<u>(623,004)</u>
Endowment net assets, end of year	<u>\$ 12,532,666</u>	<u>\$ 7,571,650</u>	<u>\$ 20,104,316</u>

**NOTE 12 - 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, 2021:

<u>Year Ending June 30,</u>	
2022	\$ 3,229,038
2023	2,471,876
2024	2,023,978
2025	1,463,865
2026	1,246,828
Thereafter	<u>5,064,995</u>
	<u>\$ 15,500,580</u>

**Morgan Memorial Goodwill Industries, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

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 \$333,781 and \$300,170 at June 30, 2021 and 2020, respectively. Rent and lease expenses were \$3,373,918 and \$3,429,062 for the years ended June 30, 2021 and 2020, 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 consolidated financial statements of Goodwill.

**COVID-19**

Goodwill has taken active steps in response to the COVID-19 pandemic including closely following all government directives and guidance. However, given the uncertainty about the pandemic's duration, the full operational and financial impact of COVID-19 cannot be determined at this time.

**NOTE 13 - 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 \$1,137,748 and \$1,488,414 for medical and dental insurance for the years ended June 30, 2021 and 2020, 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 \$19,141 and \$10,954 for the years ended June 30, 2021 and 2020, respectively.

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

**NOTE 14 - FAIR VALUE MEASUREMENTS**

Accounting Standards Codification ("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.

**Morgan Memorial Goodwill Industries, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

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.

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, 2021 and 2020, by level within the fair value hierarchy, are presented in the table below. 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, 2021		
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Marketable equity securities	\$ 16,409,498	\$ -	\$ -
Corporate bonds and government securities	-	7,827,230	-
Cash and cash equivalents	498,904	-	-
Beneficial interest in perpetual trusts	-	-	6,954,198
Charitable trusts	-	-	377,892
Total	<u>\$ 16,908,402</u>	<u>\$ 7,827,230</u>	<u>\$ 7,332,090</u>

**Morgan Memorial Goodwill Industries, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

Description	As of June 30, 2020		
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Marketable equity securities	\$ 11,837,649	\$ -	\$ -
Corporate bonds and government securities	-	7,411,227	-
Cash and cash equivalents	940,250	-	-
Beneficial interest in perpetual trusts	-	-	5,993,429
Charitable trusts	-	-	337,085
Total	\$ 12,777,899	\$ 7,411,227	\$ 6,330,514

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, 2021:

	Charitable Trusts	Perpetual Trusts	Total
Beginning balance	\$ 337,085	\$ 5,993,429	\$ 6,330,514
Total gains included in change in net assets	40,807	960,769	1,001,576
Ending balance	\$ 377,892	\$ 6,954,198	\$ 7,332,090

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, 2020:

	Charitable Trusts	Perpetual Trusts	Total
Beginning balance	\$ 340,948	\$ 5,931,762	\$ 6,272,710
Total (losses) gains included in change in net assets	(3,863)	61,667	57,804
Ending balance	\$ 337,085	\$ 5,993,429	\$ 6,330,514

**NOTE 15 - SUBSEQUENT EVENTS**

Goodwill has evaluated all subsequent events through September 24, 2021, the date that the consolidated financial statements were available to be issued.