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

Financial Statements

June 30, 2023

Independent Auditors' Report

To the Board of Directors of
Goodwill Industries of Greater New York and Northern New Jersey, Inc.

Opinion

We have audited the financial statements of Goodwill Industries of Greater New York and Northern New Jersey, Inc. (Goodwill), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Goodwill as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Goodwill and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As disclosed in Note 2 to the financial statements, on July 1, 2022, Goodwill adopted new accounting guidance related to the accounting for leases. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Goodwill's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Goodwill's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Baker Tilly US, LLP

New York, New York
December 1, 2023

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

Statement of Financial Position
June 30, 2023

Assets	
Cash and cash equivalents (Notes 2)	$ 10,180,419
Accounts receivable, net (Notes 2)	17,791,909
Contributions receivable (Note 2)	209,999
Note receivable (Note 4)	500,000
Prepaid expenses and other assets	837,754
Inventory (Note 2)	3,269,931
Investments (Notes 2, 5 and 11)	27,121,490
Security deposits	670,471
Property and equipment, net (Notes 2 and 4)	8,374,690
Right-of-use assets, operating leases (Note 2 and 9)	56,359,380
Total assets	$ 125,316,043
Liabilities and Net Assets	
Liabilities	
Accounts payable and accrued expenses (Note 15)	$ 9,150,096
Accrued compensation	3,405,254
Deferred revenue/due to funding sources (Note 6)	3,597,111
Line of credit payable (Note 7)	3,000,000
Equipment loan payable (Note 8)	1,684,192
Operating lease liabilities (Note 2 and 9)	59,963,720
Total liabilities	80,800,373
Commitments and Contingencies (Note 13)	
Net Assets (Note 2)	
Without donor restrictions:	
Operating	9,294,994
Board-designated for endowment (Note 11)	33,654,057
Total without donor restrictions	42,949,051
With donor restrictions (Notes 10 and 11)	1,566,619
Total net assets	44,515,670
Total liabilities and net assets	$ 125,316,043

See notes to financial statements

Statement of Activities
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues			
Public support:			
Contributions (Note 2)	$ 617,692	$ 461,761	$ 1,079,453
Special events (net of direct expenses of $70,962) (Note 2)	265,097	-	265,097
Contributed nonfinancial assets, donated goods (Notes 2 and 16)	39,784,166	-	39,784,166
Net assets released from restrictions (Note 10)	293,145	(293,145)	-
Total public support	40,960,100	168,616	41,128,716
Governmental support:			
Fees and grants from governmental agencies (Note 2)	25,339,541	-	25,339,541
Total governmental support	25,339,541	-	25,339,541
Other revenue:			
Industrial operations (Note 2)	35,587,354	-	35,587,354
Endowment distribution (Notes 5 and 11)	1,679,166	-	1,679,166
Other	1,176,797	-	1,176,797
Total other revenue	38,443,317	-	38,443,317
Total operating revenues	104,742,958	168,616	104,911,574
Operating Expenses (Note 2)			
Program services:			
Industrial operations	61,841,235	-	61,841,235
Rehabilitation and employment services	27,827,712	-	27,827,712
Supporting services:			
Management and administration	13,772,136	-	13,772,136
Fundraising	654,437	-	654,437
Total operating expenses	104,095,520	-	104,095,520
Operating income	647,438	168,616	816,054
Nonoperating Income (Loss)			
Investment returns, net (Note 5)	1,474,404	84,999	1,559,403
Occupancy expense above lease payments (Note 2)	(372,111)	-	(372,111)
Total nonoperating income	1,102,293	84,999	1,187,292
Changes in net assets	1,749,731	253,615	2,003,346
Net Assets, Beginning	41,199,320	1,313,004	42,512,324
Net Assets, Ending	$ 42,949,051	$ 1,566,619	$ 44,515,670

See notes to financial statements

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

Statement of Functional Expenses
Year Ended June 30, 2023

	Program Services			Supporting Services			
	Industrial Operations	Rehabilitation and Employment Services	Total Program Services	Management and Administration	Fundraising	Total Supporting Services	Total
Salaries:							
Program participants	$ 19,749,973	$ -	$ 19,749,973	$ -	$ -	$ -	$ 19,749,973
Employees	13,416,854	14,390,317	27,807,171	5,221,067	328,582	5,549,649	33,356,820
Payroll taxes and benefits (Note 12)	2,489,951	4,675,580	7,165,531	1,000,673	48,103	1,048,776	8,214,307
Total salaries and related costs	35,656,778	19,065,897	54,722,675	6,221,740	376,685	6,598,425	61,321,100
Occupancy (Notes 2 and 9)	16,448,132	3,170,020	19,618,152	490,658	-	490,658	20,108,810
Purchased goods	16,972	-	16,972	84	-	84	17,056
Trucking services	2,263,515	-	2,263,515	15,245	-	15,245	2,278,760
Professional fees	1,731,279	1,404,359	3,135,638	4,706,364	121,096	4,827,460	7,963,098
Supplies	504,978	579,548	1,084,526	27,451	89	27,540	1,112,066
Communication	472,268	727,160	1,199,428	109,703	3,213	112,916	1,312,344
Postage and shipping	370,372	3,674	374,046	10,095	714	10,809	384,855
Insurance	1,033,971	178,364	1,212,335	92,279	-	92,279	1,304,614
Outside printing	9,206	1,237	10,443	4,700	1,906	6,606	17,049
Transportation	336,844	140,692	477,536	136,428	80	136,508	614,044
Equipment maintenance and rental	217,828	76,015	293,843	10,413	-	10,413	304,256
Membership dues/staff development	37,258	216,003	253,261	281,825	1,743	283,568	536,829
Client activities	-	1,391,467	1,391,467	-	-	-	1,391,467
Expensed equipment (Note 2)	29,519	519,102	548,621	55,694	1,799	57,493	606,114
Bad debt	-	29,693	29,693	321,831	-	321,831	351,524
Interest	-	-	-	205,844	-	205,844	205,844
Depreciation and amortization (Note 2)	1,037,691	215,110	1,252,801	738,920	300	739,220	1,992,021
Events	-	-	-	-	70,962	70,962	70,962
Miscellaneous	1,968,363	163,332	2,131,695	367,273	146,812	514,085	2,645,780
	62,134,974	27,881,673	90,016,647	13,796,547	725,399	14,521,946	104,538,593
Less cost of direct benefit to donors (Note 2)	-	-	-	-	70,962	70,962	70,962
Total expenses	62,134,974	27,881,673	90,016,647	13,796,547	654,437	14,450,984	104,467,631
Less occupancy expense above lease payments (Note 2)	293,739	53,961	347,700	24,411	-	24,411	372,111
Total operating expenses	$ 61,841,235	$ 27,827,712	$ 89,668,947	$ 13,772,136	$ 654,437	$ 14,426,573	$ 104,095,520

See notes to financial statements

Statement of Cash Flows
Year Ended June 30, 2023

Cash Flows From Operating Activities	
Changes in net assets	$ 2,003,346
Adjustments to reconcile changes in net assets to net cash flows from operating activities:	
Depreciation and amortization	1,992,021
Realized gains on investments	(3,147,585)
Unrealized losses on investments	638,135
Loss on disposal of property and equipment	19,408
Bad debt	351,524
Net accretion of operating leases	372,191
Changes in operating assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable	(1,148,368)
Contributions receivable	(209,999)
Prepaid expenses and other assets	1,191,742
Inventory	(36,373)
Security deposits	174,039
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	(3,076,468)
Accrued compensation	167,689
Deferred revenue/due to funding sources	(379,729)
Net cash flows from operating activities	(1,088,427)
Cash Flows From Investing Activities	
Property and equipment acquisitions	(2,771,916)
Purchases of investments	(19,458,690)
Proceeds from sale of investments	29,481,600
Net cash flows from investing activities	7,250,994
Cash Flows From Financing Activities	
Proceeds from line of credit	14,100,000
Repayments of line of credit	(14,300,000)
Proceeds from equipment loan payable	1,039,288
Repayments of equipment loan payable	(933,866)
Net cash flows from financing activities	(94,578)
Net increase in cash and cash equivalents	6,067,989
Cash and Cash Equivalents, Beginning	4,112,430
Cash and Cash Equivalents, Ending	$ 10,180,419
Supplementary Disclosure of Cash Flow Information	
Cash paid during the year for interest	$ 205,844

See notes to financial statements

1. Organization and Nature of Activities

Goodwill Industries of Greater New York and Northern New Jersey, Inc. (Goodwill) is organized under the Not-for-Profit Corporation Law of the State of New York. Goodwill has been granted exemption from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code. Goodwill provides comprehensive rehabilitation services to persons with emotional, developmental and/or physical disabilities and the economically disadvantaged. Goodwill receives its principal governmental support from federal, New York State and New York City sources. Goodwill also operates retail stores and donation centers throughout greater New York and northern New Jersey that generate funds used to support the services it provides.

2. Summary of Significant Accounting Policies

Basis of Presentation

Goodwill's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) using the accrual basis of accounting.

Net Assets

Goodwill maintains its net assets under the following classes:

Net Assets Without Donor Restrictions - Net assets represent resources that are not donor restricted, and are therefore, available for use in carrying out the operations of Goodwill.

Net Assets With Donor Restrictions - Net assets represent assets resulting from contributions and other inflows of assets whose use by Goodwill is restricted by donor-imposed stipulations. Net assets with donor restrictions also includes net assets subject to donor-imposed restrictions that stipulate resources be maintained in perpetuity (donor restricted endowment fund), but generally permit Goodwill to utilize earnings as specified by donors.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished, or restricted endowment earnings are appropriated), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions.

Cash and Cash Equivalents

Goodwill considers all highly liquid instruments with maturities of 90 days or less when originally acquired to be cash and cash equivalents. Tenant security deposits held are maintained in bank cash accounts and are not considered cash and cash equivalents for statement of cash flow purposes.

Investments

Investments are recorded at fair value.

Fair Value Measurements

Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 5.

Contributions Receivable

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Contributions receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted discount rates applicable to the years in which the contributions are received. Amortization of the discounts is included in contributions revenue. Conditional contributions are not included as contribution revenue until the conditions are substantially met.

Allowance For Doubtful Accounts

Goodwill determines whether an allowance for doubtful accounts should be provided for accounts, contributions and note receivable. Such estimates are based on management's assessment of the aged basis of its receivables, current economic conditions, creditworthiness of tenants, government, customers, contributors and other sources and historical information.

Inventory and Contributed Nonfinancial Assets

For the year ended June 30, 2023, Goodwill received contributed merchandise (clothing, etc.) with a fair value estimated to be $39,784,166. Goodwill reflects such contributed merchandise as contributed nonfinancial assets revenue in the accompanying financial statements. Goodwill reflects its industrial operations sales net of the aforementioned estimated amount of contributed goods. This merchandise requires program-related expenses/processes accomplished by people with disabilities and other disadvantaging conditions before it reaches its point of sale. The fair value of the contributed merchandise is estimated at the retail sales value in excess of the processing costs. The contributed merchandise inventory is estimated by utilizing inventory turnover rates. Inventory consisted of contributed merchandise of $3,269,931 as of June 30, 2023.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation or amortization. These amounts do not purport to represent replacement or realizable values. Goodwill capitalizes property and equipment with a cost of $1,500 or more and a useful life of greater than two years. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the useful life of the asset or the remaining term of the lease. Certain purchases of equipment are expensed by Goodwill (rather than capitalized) because the cost of these items was reimbursed by governmental funding sources, where the contractual agreement specifies that title to these assets rests with the governmental funding source rather than Goodwill.

Contributions

Goodwill recognizes contributions when cash, securities or other assets, an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give are those with a measurable performance or other barrier and a right of a return/right of release, and are not recognized until the conditions on which they depend have been met.

Goodwill reports gifts of long-lived assets as net assets without donor restrictions, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, Goodwill reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Grants From Governmental Agencies

A significant portion of Goodwill's revenue is derived from cost-reimbursable federal, state and city grants, which are conditioned upon certain performance requirements and/or the occurrence of allowable qualifying expenses. Amounts received are recognized as revenue when Goodwill has incurred expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position. These grants require Goodwill to provide certain services during specified grant periods. If such services are not provided during those periods, the governmental entities are not obligated to expend the funds allotted under the grants.

Revenue From Contracts With Customers

Fees From Governmental Agencies

Goodwill receives revenue for services provided to approved clients from third-party reimbursement agencies. These revenues are based on predetermined rates based on cost reimbursement principles and are subject to audit and retroactive adjustment by the respective third-party fiscal intermediary. In the opinion of management, retroactive adjustments, if any, would not be material to the financial position or results of operations of Goodwill. Such revenues are recognized at the point in time services are rendered or, if related to housing, during the month when housing is provided at contractual rates or, in the case of third-party reimbursements, at the net realizable value. Payments are due upon receipt of related billing. Subsequent adjustments to transaction price are recorded as reductions in revenue in the period made.

Industrial Operations

Goodwill recognizes retail store sales revenue at the point in time when consideration is transferred between Goodwill and the customer. The retail store sales revenue included in industrial operations in the amount of $7,565,300 for the year ended June 30, 2023 represents the gross retail store sales revenue minus the portion that is reported as contributed nonfinancial assets revenue. In addition, Goodwill derives revenue in the amount of $23,110,543 for the year ended June 30, 2023 for the staffing of temporary workers under its GoodTemps program, where the transaction price is based on agreed upon rates with various employers. Revenue is recognized in the period that the labor is performed by the temporary workers. Lastly, Goodwill generates janitorial services related revenue of $4,911,511 for the year ended June 30, 2023 at the point in time when services are performed.

Special Events Revenue

A portion of special events revenue represents a reciprocal transaction equal to the cost of direct benefits to donors with the remainder representing contributions. For example, meals and facilities rental are considered direct costs of special events. Special events revenue is recognized at the time the event takes place. For the year ended June 30, 2023, there was a direct benefit to donors in the amount of approximately $71,000.

Lease Obligations and Right-of-Use Assets

Goodwill evaluates at contract inception whether a lease exists and recognizes a lease obligation and right-of-use asset for all leases with a term greater than 12 months. Leases are classified as either finance or operating. All lease liabilities are measured at the present value of the future lease payments using a discount rate. The future lease payments used to measure the lease liability include fixed payments, as well as the exercise price of any options to purchase the underlying asset that have been deemed reasonably certain of being exercised, if applicable. Future lease payments for optional renewal periods that are not reasonably certain of being exercised are excluded from the measurement of the lease liability. For all leases, the right-of-use asset is initially derived from the measurement of the lease liability and adjusted for certain items, such as initial direct costs and lease incentives received. right-of-use assets are subject to long-lived impairment testing.

Operating lease expense is recognized on a straight-line basis over the lease term and is included within occupancy in the statement of functional expenses. For financing leases amortization expense is recorded for the right-of-use assets and interest expense is recorded for the lease liability. The lease term for operating and financing leases is determined based on the date Goodwill acquires control of the leased premises through the end of the lease term. As of June 30, 2023, there were no finance leases.

Functional Allocation of Expenses

The costs of providing the various program and supporting services have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among programs and supporting services benefited. The expenses that have been allocated include salaries and payroll taxes and benefits, which have been allocated based on estimates of time and effort. Occupancy, insurance, and depreciation and amortization expenses are allocated based on square footage estimates.

Measure of Operations

Goodwill's measure of operations includes all operating revenues and expenses that are an integral part of the programs and supporting activities and net assets released from donor restrictions to support operating expenditures. The measure of operations excludes investment returns, except as appropriated for operations, and occupancy expense above lease payments.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Adopted Accounting Pronouncement

Effective July 1, 2022, Goodwill adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842),* and all related amendments using the modified retrospective approach.

ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the statement of financial position. At lease inception, leases are classified as either finance leases or operating leases with the associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating leases are expensed on a straight-line basis as lease expense over the noncancelable lease term. Expenses for finance leases are comprised of the amortization of the right-of-use asset and interest expense recognized based on the effective interest method. At the date of adoption, Goodwill recorded operating lease right-of-use assets and lease liabilities of $63,247,927 and $66,480,076, respectively.

The new standard provides for several optional practical expedients. Upon transition to Topic 842, Goodwill elected:

- The package of practical expedients permitted under the transition guidance which does not require Goodwill to reassess prior conclusions regarding whether contracts are or contain a lease, lease classification and initial direct lease costs.

The new standard also provides for several accounting policy elections, as follows:

- Goodwill has elected the policy not to separate lease and nonlease components for all asset classes.
- When the rate implicit in the lease is not determinable, rather than using Goodwill's incremental borrowing rate, Goodwill elected to use a risk-free discount rate for the initial and subsequent measurement of lease liabilities for all asset classes.
- Goodwill elected not to apply the recognition requirements to all leases with an original term of 12 months or less, for which Goodwill is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather, short-term leases will continue to be recorded on a straight-line basis over the lease term.

Additional required disclosures for Topic 842 are contained in Note 9.

Recent Accounting Pronouncement

In June 2016, the FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments.* ASU No. 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. ASU No. 2016-13 is effective for annual periods beginning after December 15, 2022. Management is currently evaluating the impact of ASU No. 2016-13 on Goodwill's financial statements.

3. Liquidity and Availability of Resources to Meet General Expenditures

Goodwill regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, Goodwill considers all expenditures related to its ongoing programs and supporting services to be general expenditures.

Goodwill's investment funds consist of Board-designated net assets and donor-restricted endowment funds. The endowment is not available for general expenditures, although there is an annual appropriation from the endowment funds for operations, as more fully described in Note 11. Goodwill also has a line of credit of $5,000,000 available, as more fully described in Note 7.

Financial assets available for general expenditures within one year of the statement of financial position date, without donor or other restrictions limiting their use, were as follows as of June 30, 2023:

Cash and cash equivalents	$ 10,180,419
Accounts receivable	17,791,909
Contributions receivable	209,999
Note receivable	500,000
Investments	27,121,490
	55,803,817
Less donor-restricted net assets	(1,566,619)
Less Board-designated net assets	(33,654,057)
Financial assets available for general expenditures	$ 20,583,141

4. Property and Equipment

Property and equipment consist of the following as of June 30, 2023:

	Estimated Useful Lives	
Equipment	3 - 10 years	$ 28,029,902
Leasehold improvements	2 - 12 years	23,345,165
Transportation equipment	5 years	250,088
Construction-in-progress		234,482
Total cost		51,859,637
Less accumulated depreciation and amortization		(43,484,947)
Total		$ 8,374,690

Depreciation and amortization expense for the year ended June 30, 2023 was approximately $1,992,000. Goodwill is involved in a variety of construction projects as of June 30, 2023, whereby Goodwill will incur additional costs subsequent to June 30, 2023.

On November 2, 2020, Goodwill completed a sale of one of its building in Astoria, NY for a purchase price of $14.4 million. As part of consideration for the sale, Goodwill received a $500,000 note receivable on the date of sale. The note has a maturity date of February 28, 2024 and carries an interest rate of 0% unless payment is not made on the maturity date. If the payment is not made on the maturity date, then the entire principal amount will bear interest at an annual rate of 12%.

5. Investments

Investments consist of the following as of June 30, 2023:

Equity securities	$ 18,418,356
Fixed income mutual funds	6,354,850
Limited partnerships	1,805,211
Real estate income trust	543,073
Total	$ 27,121,490

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

Investment returns, net (including Board-designated endowment distribution of $1,679,166) consists of the following for the year ended June 30:

Realized gains on investments	$ 3,147,585
Unrealized losses on investments	(638,135)
Interest and dividend income	827,488
Less investment fees	(98,369)
Total	$ 3,238,569

The fair value hierarchy defines three levels as follows:

Level 1 - Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2 - Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3 - Valuations based on unobservable inputs are used when little or no market data is available. The hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, Goodwill utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value. Following is a description of the valuation methodologies used for assets measured at fair value.

Equity securities are valued at the closing price reported on the active market on which the individual securities are traded.

Fixed income mutual funds are valued at the closing price reported in the active market in which the fund is traded.

Investments in limited partnerships are valued using net asset value (NAV) as a practical expedient.

Investments in real estate income trust are valued using NAV as a practical expedient.

Financial assets carried at fair value as of June 30, 2023, are classified in the table as follows:

	Level 1	Total
Assets carried at fair value:		
Investments:		
Equity securities	$ 18,418,356	$ 18,418,356
Fixed income mutual funds	6,354,850	6,354,850
	$ 24,773,206	24,773,206
Investments measured using net asset value as a practical expedient:		
Limited partnerships		1,805,211
Real estate income trust		543,073
		2,348,284
Total investments at fair value		$ 27,121,490

The following table summarizes investments for which fair value is measured using the NAV per share practical expedient as of June 30, 2023:

	Fair Value as of June 30, 2023	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Limited partnerships	$ 1,805,211	$ -	Monthly	10 days
Real estate income trust	543,073	-	Monthly	1 day
Total	$ 2,348,284	$ -		

The investment objective of the limited partnerships is to seek capital appreciation by investing primarily in equity securities (and securities convertible into equity securities) issued by non-U.S. issuers. The investment objective of the real estate income trust is to generate income by investing in high-quality, stabilized income-generating real estate.

6. Deferred Revenue/Due to Funding Sources

Included in deferred revenue/due to funding sources as of June 30, 2023, was a Community Support Program (CSP) Medicaid liability due to the New York State Office of Mental Health (NYS OMH) amounting to approximately $1,900,000.

The balance represents advances received from various funding sources under government grants for which Goodwill has not yet met the grant conditions or provided the services. In addition, it includes amounts due to government agencies for advances received during current and prior years. Such amounts will be recouped by the funding sources.

7. Line of Credit

Goodwill has a line of credit with a bank that has a maximum borrowing limit of $5,000,000 and expires in April 2024. Effective April 25, 2022, interest charged by the bank is based on the Bloomberg Short-Term Bank Yield Index (BSBY) daily floating rate plus 0.7%. Effective April 26, 2023, interest charged by the bank is based on the BSBY daily floating rate plus 0.8%. The interest rate as of June 30, 2023 was 5.17%. As of June 30, 2023, Goodwill has outstanding borrowings of $3,000,000. The line of credit is secured by Goodwill's investments. The interest expense for the line of credit for the year ended June 30, 2023 was approximately $156,000.

8. Equipment Loan Payable

Goodwill obtained several loans secured by their equipment. The loans are payable in monthly installments through November 2028 and bear interest at approximately 4%.

Future minimum loan payments for each of the years subsequent to June 30, 2023 were as follows:

Years ending June 30:	
2024	$ 783,574
2025	282,164
2026	170,479
2027	180,364
2028	186,422
Thereafter	81,189
Total	$ 1,684,192

Interest expense for the year ended June 30, 2023 was approximately $50,000.

9. Right-of-Use Assets and Operating Lease Liabilities

Goodwill is obligated under the terms of several noncancelable operating leases for real and personal property.

Right-of-use assets represent Goodwill's right to use an underlying asset for the lease term, while lease liabilities represent Goodwill's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date of a lease based on the net present value of lease payments over the lease term.

Certain of Goodwill's leases include options to renew or terminate the lease. The exercise of lease renewal or early termination options is at Goodwill's sole discretion. Goodwill regularly evaluates the renewal and early termination options and when they are reasonably certain of exercise, Goodwill includes such options in the lease term.

In determining the discount rate used to measure the right-of-use assets and lease liabilities, Goodwill uses the rate implicit in the lease, or if not readily available, Goodwill uses a risk-free rate based on U.S. Treasury notes or bond rates for a similar term.

Right-of-use assets are assessed for impairment in accordance with Goodwill's long-lived asset policy. Goodwill reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842.

Goodwill made significant assumptions and judgments in applying the requirements of Topic 842. In particular, Goodwill:

- Evaluated whether a contract contains a lease, by considering factors such as whether Goodwill obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights.

- Determined whether contracts contain embedded leases.

- Evaluated leases with similar commencement dates, lengths of term, renewal options or other contract terms, which therefore meet the definition of a portfolio of leases, whether to apply the portfolio approach to such leases.

- Determined for leases that contain a residual value guarantee, whether a payment at the end of the lease term was probable and, accordingly, whether to consider the amount of a residual value guarantee in future lease payments.

- Allocated consideration in the contract between lease and nonlease components, as applicable.

Goodwill does not have any material leasing transactions with related parties.

The following table summarizes the operating lease right-of-use assets and operating lease liabilities as of June 30, 2023:

Operating lease right-of-use assets	$ 56,359,380
Operating lease liabilities:	
Current	$ 8,277,088
Long-term	51,686,632
Total operating lease liabilities	$ 59,963,720

Below is a summary of expenses incurred pertaining to leases for the year ended June 30, 2023:

Operating lease expense	$ 11,179,864
Short-term lease expense	680,551
Variable lease expense	50,885
Sublease income	(136,282)
Total lease expense	$ 11,775,018

The right-of-use assets and operating lease liabilities were calculated using a weighted-average discount rate of 3.16%. As of June 30, 2023, the weighted-average remaining lease term was 10.68 years.

The table below summarizes Goodwill's scheduled future minimum lease payments for years ending after June 30, 2023:

Years ending June 30:	
2024	$ 10,016,575
2025	7,545,899
2026	6,945,278
2027	6,270,375
2028	5,804,056
Thereafter	35,248,277
Total lease payments	71,830,460
Less present value discount	(11,866,740)
Total operating lease liabilities	59,963,720
Less current portion	(8,277,088)
Long-term operating lease liabilities	$ 51,686,632

The following table includes supplemental cash flow and noncash information related to the leases for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 11,088,366
Operating lease right-of-use assets obtained in exchange for lease liabilities	2,654,914

10. Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following as of June 30, 2023:

Program services	$ 351,459
Bridge to technology	5,112
Pharmacy technology	179,288
Unappropriated endowment earnings	140,882
Donor-restricted endowment corpus	889,878
Total	$ 1,566,619

For the year ended June 30, 2023, $293,145 of net assets with donor restrictions were released and transferred to the net assets without donor restrictions category by incurring costs which satisfied the restricted purposes.

11. Endowment Net Assets

Endowment net assets consist of donor-restricted and Board-designated endowment funds. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. See Note 2 for details on how Goodwill maintains its net assets.

New York State adopted as law the New York Prudent Management of Institutional Funds Act (NYPMIFA) on September 17, 2010. NYPMIFA creates a rebuttable presumption of imprudence if an organization appropriates more than 7% of a donor-restricted permanent endowment fund's fair value (averaged over a period of not less than the preceding five years) in any year. Any unappropriated earnings are reflected as net assets with donor restrictions until appropriated.

Goodwill's Board of Directors has interpreted NYPMIFA as allowing Goodwill to appropriate for expenditure or accumulate so much of an endowment fund as Goodwill determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument.

Goodwill has adopted investment and spending policies that attempt to achieve growth of both principal value and income over time sufficient to preserve or increase the spending power of the assets of endowed funds and to provide a predictable stream of funding for programs supported by its endowment and other Board-designated commitments reflected in the annual operating budget. The spending policy adopted by the Board of Directors sets forth a quarterly withdrawal rate of 5% on the average quarterly closing fair value of the previous 20 quarters.

The policy for valuing Goodwill's investments is disclosed in Note 2. In accordance with U.S. GAAP, organizations are required to disclose any deterioration of the fair value of assets associated with donor-restricted endowment funds that fall below the level the donor requires the organization to retain in perpetuity. Goodwill has not incurred such deficiencies in its endowment funds as of June 30, 2023.

Changes in endowment net assets for the year ended June 30, 2023, are as follows:

	Board-Designated	Restricted Endowment Earnings	Endowment Corpus	Total
Investment activity:				
Interest and dividends	$ 805,770	$ 21,718	$ -	$ 827,488
Realized gains	3,064,973	82,612	-	3,147,585
Unrealized losses	(621,386)	(16,749)	-	(638,135)
Investment fees	(95,787)	(2,582)	-	(98,369)
	3,153,570	84,999	-	3,238,569
Endowment distribution	(1,679,166)	-	-	(1,679,166)
Change in endowment net assets	1,474,404	84,999	-	1,559,403
Endowment net assets, beginning	32,179,653	55,883	889,878	33,125,414
Endowment net assets, ending	$ 33,654,057	$ 140,882	$ 889,878	$ 34,684,817

Endowment net assets of $34,684,817 as of June 30, 2023 are included in investments and cash and cash equivalents in the accompanying statement of financial position.

12. Pension Plans

Goodwill has two pension plans covering all qualifying employees. The first plan is a qualified defined contribution pension plan covering all eligible employees. The second plan is a 403(b) Plan that provides for employee and employer matching contributions covering all eligible employees. Employer contributions amounted to approximately $832,000 for the year ended June 30, 2023.

13. Commitments and Contingencies

Contingencies

Pursuant to Goodwill's contractual relationships with certain governmental funding sources, outside governmental agencies have the right to examine the books and records of Goodwill involving transactions relating to these contracts. The accompanying financial statements make no provision for possible disallowances or payback other than discussed in Note 6. In addition, certain agreements provide that some property and equipment, or portions thereof, either owned by or on loan to Goodwill must be utilized by Goodwill to continue owning and/or using these assets.

Litigation

Goodwill is a defendant with respect to various claims involving accidents and other issues arising in the normal conduct of its business. Management and legal counsels believe the ultimate resolution of these claims will not have a material impact on the financial position and changes in net assets of Goodwill.

Uncertain Tax Positions

Goodwill believes it has no uncertain tax positions as of June 30, 2023, in accordance with Accounting Standards Codification (ASC) Topic 740, *Income Taxes*, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

14. Concentrations of Credit Risk

Financial instruments which potentially subject Goodwill to concentration of credit risk consist primarily of cash and cash equivalents, investments and accounts receivable. At various times, Goodwill has cash deposits at financial institutions which exceed the Federal Deposit Insurance Corporation insurance limits. These financial institutions have strong credit ratings and management believes that credit risk related to these accounts is minimal. Investments are subject to credit risk (i.e. risk investments may be less than AAA rating), interest rate risk (i.e. risk that investments' interest rates are unfavorable to in comparison to market interest rates) and concentration of credit risk (i.e. risk that portfolio of investments may not be diversified due to a limited number of investments). Accounts receivable are predominantly from federal, state and city governmental agencies.

15. Restructuring Costs

During the years ended June 30, 2022 and 2021, Goodwill approved a plan to restructure certain components of its operations, which included consolidating program sites, closing some locations and ending some programs.

Accrued restructuring costs, consist of net lease obligations related to two locations, of approximately $4,673,000 as of June 30, 2023 are included in accounts payable and accrued expenses on the accompanying statement of financial position. Due to uncertainties in the settlement process, however it is at least reasonably possible that management's estimates may change in the near term.

16. Contributed Nonfinancial Assets

Contributed nonfinancial assets consisted of the following for the year ended June 30, 2023:

Nonfinancial Asset	Amount	Usage in Programs/ Activities	Donor Restrictions	Fair Value Techniques
Donated goods	$ 39,784,166	Industrial operations	No associated donor restriction	Based on actual retail sales values in excess of the processing costs.

17. Subsequent Events

Management has evaluated events subsequent to the date of the statement of financial position through December 1, 2023, the date the financial statements were available to be issued.

Effective October 25, 2023, the maximum borrowing limit of line of credit increased to $7,000,000.