

GOODWILL INDUSTRIES OF NORTHEASTERN PENNSYLVANIA, INC.

FINANCIAL STATEMENTS

AND

SINGLE AUDIT REPORT

JUNE 30, 2019 AND 2018

AND

REPORT OF INDEPENDENT

CERTIFIED PUBLIC ACCOUNTANTS

AND

SUPPLEMENTARY INFORMATION

GOODWILL INDUSTRIES OF NORTHEASTERN PENNSYLVANIA, INC.

TABLE OF CONTENTS

	<u>PAGE</u>
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	1-2
<u>FINANCIAL STATEMENTS:</u>	
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS	4
STATEMENT OF CASH FLOWS	5
NOTES TO FINANCIAL STATEMENTS	6-13
<u>SUPPLEMENTARY INFORMATION:</u>	
STATEMENT OF REVENUES AND EXPENSES-COMMUNITY RESIDENTIAL HOMES PROGRAM	14
STATEMENT OF REVENUES AND EXPENSES-COMMUNITY EMPLOYMENT PROGRAM	15
STATEMENT OF REVENUES AND EXPENSES-CHILD CARE PROVIDERS PROGRAM	16
STATEMENT OF REVENUES AND EXPENSES-SEAL (formerly KIDS TIME) PROGRAM	17
STATEMENT OF REVENUES AND EXPENSES-ADULT PROGRAMS	18
STATEMENT OF REVENUES AND EXPENSES-RETAIL STORE OPERATIONS	19
STATEMENT OF REVENUES AND EXPENSES-THEATER OPERATIONS	20
STATEMENT OF EXPENSES-ADMINISTRATIVE COSTS ALLOCATED TO PROGRAMS	21
SINGLE AUDIT REPORT	22-29
INDEPENDENT AUDITOR'S REPORT ON COST ALLOCATION PLAN	30

MURPHY, DOUGHERTY & COMPANY

Certified Public Accountants

1310 Church Street, Suite 3000, Route 690 • Moscow, PA 18444

Ph: (570) 848 2866 • Fax: (570) 848 2833

J. PAUL MURPHY, CPA
MICHAEL DOUGHERTY, CPA

PAUL T. MURPHY, CPA
LEAH C. ROSENKRANS, CPA

INDEPENDENT AUDITOR'S REPORT ON BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Board of Directors
Goodwill Industries of Northeastern Pennsylvania, Inc.
Scranton, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Goodwill Industries of Northeastern Pennsylvania, Inc. (a nonprofit organization) (Goodwill), which comprise the statement of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Goodwill Industries of Northeastern Pennsylvania, Inc.'s preparation and fair presentation of the 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.

(GOODWILL INDUSTRIES OF NORTHEASTERN PENNSYLVANIA, INC.)
(INDEPENDENT AUDITORS' REPORT-CONTINUED)

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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Goodwill Industries of Northeastern Pennsylvania, Inc., as of June 30, 2019 and 2018, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

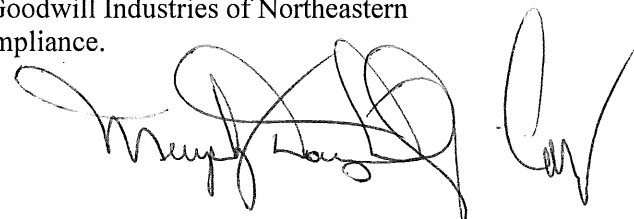
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Goodwill Industries of Northeastern Pennsylvania, Inc.'s basic financial statements. The supplementary information on pages 14 - 21, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the financial statements.

The supplementary information on pages 14 - 21, as listed in the table of contents, and the schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information on pages 14-21, as listed in the table of contents, and the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with "Government Auditing Standards", we have also issued our report dated December 10, 2019, on our consideration of Goodwill Industries of Northeastern Pennsylvania, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" in considering Goodwill Industries of Northeastern Pennsylvania, Inc.'s internal control over financial reporting and compliance.

Moscow, Pennsylvania
December 10, 2019



GOODWILL INDUSTRIES OF NEPA, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 406,434	\$ 687,286
Investments	-	398,331
Program receivables (net of allowance of \$11,081)	1,141,708	1,060,583
Other receivables	500,000	391,268
Prepaid expenses and other assets	54,960	147,150
Inventory	<u>26,000</u>	<u>26,000</u>
Total Current Assets	2,129,102	2,710,618
Property and equipment, net	<u>1,509,788</u>	<u>1,277,745</u>
TOTAL ASSETS	<u><u>\$ 3,638,890</u></u>	<u><u>\$ 3,988,363</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
Payroll taxes payable	\$ 17,746	\$ 20,399
Accrued salaries and wages	143,918	113,194
Other liabilities	43,433	-
Accounts payable	154,221	155,185
Line of credit payable	150,000	0
Current portion of long-term debt	<u>84,145</u>	<u>66,838</u>
Total Current Liabilities	593,463	355,616
Long-term debt	<u>314,185</u>	<u>307,327</u>
TOTAL LIABILITIES	907,648	662,943
<u>NET ASSETS</u>		
Temporarily Restricted	0	105,000
Unrestricted (Note 1)	2,731,242	3,220,420
Total Net Assets	<u>2,731,242</u>	<u>3,325,420</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,638,890</u></u>	<u><u>\$ 3,988,363</u></u>

The accompanying notes are an integral part of these financial statements

GOODWILL INDUSTRIES OF NEPA, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2019</u>	<u>2019</u>	<u>2018</u>
	<u>UN- RESTRICTED</u>	<u>TEMPO- RARILY RESTRICTED</u>	<u>TOTAL</u>	<u>TOTAL</u>
<u>OPERATING REVENUES</u>				
Program Services				
Community residential homes	\$ 6,181,772	-	\$ 6,181,772	\$ 5,598,979
Community employment	642,656	-	\$ 642,656	710,087
Child care	284,831	-	\$ 284,831	286,080
Adult care	980,452	-	\$ 980,452	1,115,815
Total Operating Revenue	<u>\$ 8,089,711</u>	<u>-</u>	<u>\$ 8,089,711</u>	<u>7,710,961</u>
<u>OPERATING EXPENSES</u>				
Program Services				
Community residential	6,407,073	-	6,407,073	5,512,061
Community employment	714,515	-	714,515	824,793
Child care	246,941	-	246,941	259,877
Adult care	929,830	-	929,830	918,645
Total Operating Expenses	<u>8,298,359</u>	<u>-</u>	<u>8,298,359</u>	<u>7,515,376</u>
Change in Net Assets from Operating Activities	<u>\$ (208,648)</u>	<u>-</u>	<u>\$ (208,648)</u>	<u>195,585</u>
<u>NON-OPERATING REVENUES AND EXPENSES</u>				
Retail store operations, revenues	5,767,241	-	5,767,241	5,096,490
Retail store operations, expenses	(6,402,720)	-	(6,402,720)	(5,528,424)
Theater operations, net	(131,111)	-	(131,111)	(93,527)
Contributions and other revenue	212,639	-	212,639	10,628
Transfer from temporarily restricted	105,000	(105,000)	-	-
Grant revenue	179,000	-	179,000	212,385
Special events revenue	-	-	-	3,213
Unrealized gains (losses), net	(10,579)	-	(10,579)	13,840
Marketing expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,603)</u>
Change in Net Assets from Non-Operating Activities	<u>(280,530)</u>	<u>(105,000)</u>	<u>(385,530)</u>	<u>(295,998)</u>
Change in Net Assets	<u>\$ (489,178)</u>	<u>(105,000)</u>	<u>\$ (594,178)</u>	<u>(100,413)</u>
Net Assets, beginning	<u>\$ 3,220,420</u>	<u>105,000</u>	<u>\$ 3,325,420</u>	<u>3,425,833</u>
NET ASSETS, ENDING	<u>\$ 2,731,242</u>	<u>-</u>	<u>\$ 2,731,242</u>	<u>\$ 3,325,420</u>

The accompanying notes are an integral part of these financial statements

GOODWILL INDUSTRIES OF NEPA, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Increase (decrease) in net assets	\$ (594,178)	(100,413)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	217,779	199,123
(Increase) decrease in market value of investments	409,550	(11,158)
Changes in assets and liabilities:		
(Increase) decrease in other accounts receivable	(189,857)	(306,400)
(Increase) decrease in prepaid expenses	92,190	51,859
Increase (decrease) in accounts payable	(964)	59,067
Increase (decrease) in payroll taxes payable	(2,653)	1,339
Increase (decrease) in accrued salaries and wages	30,724	(17,421)
Increase (decrease) in other liabilities	43,433	-
Total Adjustments	<u>600,202</u>	<u>(23,591)</u>
Net Cash Provided (Used) by Operating Activities	<u>6,024</u>	<u>(124,004)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
(Purchase) of investments	0	0
(Purchase) of fixed assets	<u>(464,964)</u>	<u>(235,703)</u>
Net Cash Provided (Used) by Investing Activities	<u>(464,964)</u>	<u>(235,703)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Proceeds from debt	350,494	340,000
(Payment) of debt	<u>(176,329)</u>	<u>(280,362)</u>
Net Cash Provided (Used) by Financing Activities	<u>174,165</u>	<u>59,638</u>
Net Increase (Decrease) in Cash & Cash Equivalents	(284,775)	(300,069)
Cash and Cash Equivalents at beginning of year	<u>691,209</u>	<u>991,278</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 406,434</u>	<u>\$ 691,209</u>
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash paid during the year for interest	\$ 28,096	18,987

The accompanying notes are an integral part of these financial statements

GOODWILL INDUSTRIES OF NEPA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Goodwill Industries of NEPA, Inc. (“Goodwill”) is a Non-Profit Corporation. Goodwill serves 11 counties in Northeastern Pennsylvania including Lackawanna, Luzerne, Bradford, Wyoming, Susquehanna, Sullivan, Columbia, Pike, Carbon, Monroe and Wayne. Goodwill provides services to adults, children and elderly who are intellectually and/or developmentally challenged.

Goodwill provides community living arrangements, industry integrated training and transitional employment to mentally challenged individuals through the operation of various federal and state funded programs.

Goodwill also provides various individual and family-focused services and community education to disabled adults and children.

Goodwill also operates retail stores which sell new and donated goods to the public. Although store revenue generated is utilized to supplement program service revenues, it is considered a non-operating activity for financial reporting purposes.

Basis of Presentation

The financial statements were prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. The financial statements are presented to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted – Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted – Net assets whose use by Goodwill is subject to donor-imposed restrictions that can be fulfilled by actions of Goodwill pursuant to those restrictions or that expire by the passage of time.

Permanently Restricted – Net assets subject to donor-imposed restrictions that they may be maintained permanently by Goodwill. Generally, the donors of these assets permit Goodwill to use all or part of the income earned on any related investments for general or specific purposes.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

(GOODWILL – NOTES TO FINANCIAL STATEMENTS – CONTINUED)

(NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED)

Inventories

Inventories purchased for resale are stated at the lower of cost, using the first-in first-out method, or market. All other items of inventory that are donated are stated at the retail sales value in excess of the cost of preparing the goods for sale.

During the year ended June 30, 2019 and 2018, Goodwill recognized contributed merchandise with an estimated fair value approximating \$1,588,081 and \$1,403,381, respectively, as contribution revenue from donated goods.

Cash and Cash Equivalents

For the purpose of financial statements, cash in the bank is considered cash and cash equivalents.

Investments

Investments are stated at fair value based on quoted market prices. Adjustments to reflect increases or decreases in fair value, referred to as unrealized gains and losses, are reported in the statement of activities. The investments were liquidated in their entirety during 2019. Fair values and unrealized appreciation (depreciation) as of June 30, 2018 is as follows:

	<u>COST</u>	<u>2018 FAIR VALUE</u>	<u>UNREALIZED APPRECIATION DEPRECIATION</u>	<u>2018 FEES</u>
Cash	\$ 4,003	\$ 3,633	\$ -0-	
Mutual Funds	109,473	127,358	17,885	
Bond Funds	<u>251,524</u>	<u>267,340</u>	<u>15,816</u>	
	\$365,000	\$398,331	\$33,701	(\$2,682)

Prepaid and other assets as of June 30, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Prepaid Insurances	\$ 12,711	\$ 68,312
Prepaid Start-Up Costs	<u>26,377</u>	<u>63,840</u>
	<u>\$ 39,088</u>	<u>\$132,152</u>

(GOODWILL – NOTES TO FINANCIAL STATEMENTS – CONTINUED)

(NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED)

Fixed Assets

Fixed assets are stated at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. The estimated useful lives of the assets are as follows:

Buildings & Improvements	10-39 years
Office furniture and equipment	3-10 years
Leasehold improvements	10-26 years

The major components as of June 30, 2019 and 2018 are as follows:

	2019	2018
Land	\$ 134,583	\$ 134,583
Buildings & Improvements	1,881,250	1,642,596
Vehicles	841,556	674,121
Furniture & Equipment	<u>389,702</u>	<u>370,859</u>
Total	\$ 3,247,091	\$ 2,822,159
Less accumulated depreciation	<u>(1,737,303)</u>	<u>(1,544,414)</u>
	<u>\$ 1,509,788</u>	<u>\$1,277,745</u>
Depreciation expense	<u>\$ 217,779</u>	<u>\$ 199,123</u>

Goodwill receives the use of its administrative office facilities without charge for the full term of a formal lease arrangement, which expires in the year 2026.

This unconditional promise to give the use of these facilities was initially stated at the net present value of the future fair rental value of such space, limited to the fair market value of the space being used. This total net present value was fully released from restriction during the year ended June 30, 2010.

Income Tax Status

Goodwill is exempt from federal income taxes, under Section 501c (3) of the Internal Revenue Code.

(GOODWILL – NOTES TO FINANCIAL STATEMENTS – CONTINUED)

(NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED)

Advertising

Advertising costs are expensed as incurred and amounted to \$59,802 and \$60,000 for the years respectively ended June 30, 2019 and 2018.

NOTE 2 – CONCENTRATION OF CREDIT RISK

At June 30, 2019 and 2018 the bank balance of Goodwill's deposits with financial institutions were \$504,298 and \$816,037, respectively, compared to the carrying amounts of \$406,434 and \$684,204, respectively. The total bank balance that was secured by Federal Depository Insurance was \$504,298 and \$541,325, respectively. The remaining bank balance was in excess of the federally insured limits and was unsecured.

Investments

Interest Rate Risk

Goodwill Industries of NEPA, Inc. does not have a formal investment policy that limits maturities in certain investments as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Goodwill Industries of NEPA, Inc. does not have a formal policy that would limit its investment choices to certain credit ratings.

Concentration of Credit Risk

Goodwill Industries of NEPA, Inc. places no limit on the amount the entity may invest in any one issuer. More than 5% of the entity's investments are invested in the following:

	<u>2018</u> <u>Amount</u>	<u>% of Total</u> <u>Investments</u>	<u>2018</u> <u>Amount</u>	<u>% of Total</u> <u>Investments</u>
Fidelity Inter Mediate Muni Income	\$95,883	24%	\$95,883	24%
Northern Intermed Tax Exempt Fund	\$90,378	23%	\$90,378	22%
Doubleline Total Rt Bond FD CI N	\$24,607	6%	\$24,607	6%

NOTE 3 – CONTINGENT LIABILITIES

Goodwill participates in both state and federal assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Goodwill is potentially liable for any expenditures which may be disallowed pursuant to the terms of these programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

(GOODWILL – NOTES TO FINANCIAL STATEMENTS – CONTINUED)

NOTE 4 – NOTES AND MORTGAGES PAYABLE

On November 30, 2012 Goodwill obtained a mortgage note for \$63,739.01 with PNC Bank for the purpose of re-financing the balloon payment of the Columbus mortgage. The note has a fixed rate of 3.2%, with a maturity date of November 30, 2022. For the years ended June 30, 2019 and 2018, interest paid for the year is \$899 and \$1,089, respectively. The principal balance is respectively \$24,134 and \$30,707.

On November 6, 2015 Goodwill obtained a mortgage note for \$100,000 with PNC Bank for the purpose of purchasing a community residential building at 9 Pear Street in Lackawanna County. The note has a fixed rate of 4.75%, with a maturity date of November 6, 2025. For the years ended June 30, 2019 and 2018, interest paid for the year is \$3,484 and \$4,022, respectively. The principal balance is respectively \$69,946 and \$78,860.

On November 21, 2016 Goodwill obtained a mortgage note for \$94,320 with PNC Bank for the purpose of purchasing a community residential building at 220 New Elizabeth Street in Luzerne County. The note has a fixed rate of 4.013%, with a maturity date of November 21, 2026. For the years ended June 30, 2019 and 2018, interest paid for the year is \$3,175 and \$3,507, respectively. The principal balance is respectively \$73,488 and \$81,809.

On April 24, 2018 Goodwill obtained a note for \$115,000 with PNC Bank for the purpose of purchasing equipment for its new Throop warehouse in Lackawanna County. The note has a fixed rate of 5.092%, with a maturity date of March 24, 2024. For the years ended June 30, 2019 and 2018, interest paid for the year is \$5,405 and \$1,004. The principal balance is respectively \$95,334 and \$112,282.

On February 17, 2016 Goodwill obtained a term note for \$24,796 with Ally Bank (GMAC) for the purpose of purchasing a vehicle for use at the Delaware Avenue residence in Lackawanna County. The note is a 3.8% interest loan with a maturity date of March 17, 2019. For the years ended June 30, 2019 and 2018, interest paid for the year is \$82 and \$396, respectively. The principal balance is respectively \$0- and \$5,745.

On May 23, 2016 Goodwill obtained a term note for \$24,275 with Ally Bank (GMAC) for the purpose of purchasing a vehicle for use at the Montrose Adult Day Care in Susquehanna County. The note is a 4.39% interest loan with a maturity date of June 23, 2021. For the years ended June 30, 2019 and 2018, interest paid for the year is \$553 and \$758, respectively. The principal balance is respectively \$9,918 and \$14,780.

On December 14, 2015 Goodwill obtained a term note for \$36,949 with FNCB Bank for the purpose of purchasing a vehicle for use at the Rocky Road Lane residence in Luzerne County. The note is a 5.29% interest loan with a maturity date of January 14, 2021. For the years ended June 30, 2019 and 2018, interest paid for the year is \$876 and \$1,251, respectively. The principal balance is respectively \$12,143 and \$19,646.

On January 12, 2017 Goodwill obtained a term note for \$40,382 with Ford Credit for the purpose of purchasing a vehicle for use at the Mathers residence in Luzerne County. The note is a 5.99% interest loan with a maturity date of January 12, 2022. For the years ended June 30, 2019 and 2018, interest paid for the year is \$1,621 and \$2,601, respectively. The principal balance is respectively \$22,501 and \$30,336.

(GOODWILL – NOTES TO FINANCIAL STATEMENTS – CONTINUED)

(NOTE 4 – NOTES AND MORTGAGES PAYABLE – CONTINUED)

In November 2018 Goodwill obtained a term note for \$40,653 with Ford Credit for the purpose of purchasing a vehicle for use by the Community Residential Homes Program . The note is a 9.34% interest loan with a maturity date of November 2023. For the years ended June 30, 2019 and 2018, interest paid for the year is \$2,163 and \$-0-, respectively. The principal balance is respectively \$37,793 and \$-0-.

In October 2018 Goodwill obtained a term note for \$24,789 with Ford Credit for the purpose of purchasing a vehicle for use by the Community Residential Homes Program. The note is a 6.99% interest loan with a maturity date of October 2023. For the years ended June 30, 2019 and 2018, interest paid for the year is \$1,098 and \$-0-, respectively. The principal balance is respectively \$22,141 and \$-0-.

In October 2018 Goodwill obtained a term note for \$16,776 with Ally Bank for the purpose of purchasing a vehicle for use by the Community Residential Homes Program. The note is a 7.99% interest loan with a maturity date of October 2022. For the years ended June 30, 2019 and 2018, interest paid for the year is \$837 and \$-0-, respectively. The principal balance is respectively \$14,996 and \$-0-.

In October 2018 Goodwill obtained a term note for \$18,276 with Ally Bank for the purpose of purchasing a vehicle for use by the Community Residential Homes Program. The note is a 7.99% interest loan with a maturity date of October 2022. For the years ended June 30, 2019 and 2018, interest paid for the year is \$912 and \$-0-, respectively. The principal balance is respectively \$15,936 and \$-0-.

Goodwill obtained a line of credit with PNC Bank which provided for borrowings up to \$500,000, and a variable interest rate based on the Lender's prime rate. The Line of Credit is secured by the assets of Goodwill and matures on January 31, 2020. For the years ended June 30, 2019 and 2018, the interest rate was 5.5% and 5.0%, respectively. Interest paid is \$7,785 and \$4,340, respectively. The principal balance is \$150,000 and \$-0-, respectively.

Scheduled estimated principal repayments on the mortgages and term notes payable as of June 30, 2019 are as follows:

2020	84,145
2021	84,270
2022	75,935
2023	62,800
2024	47,039
2025-2027	<u>44,141</u>
Total	<u>\$398,330</u>

(GOODWILL – NOTES TO FINANCIAL STATEMENTS – CONTINUED)

NOTE 5 – COMMITMENTS

Leases

Goodwill has entered into various rental agreements covering community living arrangement residences and oversight offices, its retail stores, warehouse, and vehicles, all which have been reported as operating leases. These agreements, exclusive of short term and annual renewals, expire in various years through 2023. Minimum future lease payments under non-cancelable operating leases having remaining terms in excess of one year in effect as of June 30, 2019 as follows:

2020	696,288
2021	495,877
2022	341,855
2023	<u>61,737</u>

Total \$1,595,577

NOTE 6 – TAX DEFERRED RETIREMENT PLAN

Goodwill sponsors a defined contribution 401k tax deferred Retirement Plan for its employees. An employee is eligible to participate after one full year of satisfactory service. Participation is voluntary and Goodwill matches the employee's contribution up to 6% of their total compensation. The contributions charged to expense for the years ended June 30, 2019 and 2018 total \$131,844 and \$116,120, respectively.

NOTE 7 – RELATED PARTIES

Goodwill has a partnership interest in a Pennsylvania limited partnership that was formed for the primary purpose of acquiring, rehabilitating and converting a facility into low-income housing rental units for qualified senior citizens. The project, which was completed in a prior year, also included the renovation of certain space for use by Goodwill as its principal administrative office facility. Goodwill receives free use of this space from the affiliated partnership. In connection with the development of the first project, Goodwill guaranteed a loan in the amount of \$158,000 received from The Federal Home Loan Bank. As security for this guarantee, Goodwill holds a mortgage on the developed property.

Goodwill has minority general and limited partnership interests in two Pennsylvania limited partnerships and one general partnership formed for the primary purpose of acquiring, rehabilitating and converting two separate facilities into low-income housing rental units and amenities for qualified senior citizens.

Goodwill also is the sole shareholder in a Pennsylvania corporation which owns a limited partnership interest in a Pennsylvania limited partnership that was formed for the purpose of the rehabilitation and converting a facility into low –income housing rental units for qualified senior citizens. The project was completed in February of 2016.

(GOODWILL – NOTES TO FINANCIAL STATEMENTS – CONTINUED)

(NOTE 7 – RELATED PARTIES-CONTINUED)

Goodwill received their non-monetary interests primarily in return for acting as the sponsor and prime beneficiary in connection with the awarding of certain government grants to these limited partnerships. Although prime beneficiary, Goodwill does not assume the various responsibilities for compliance with the federal government requirements applicable to these grants, as such are the responsibilities of the limited partnerships (the sub grantees).

Goodwill's equity interests in these partnerships at June 30, 2019 and 2018 were not material to the accompanying financial statements.

NOTE 8-FUNCTIONAL EXPENSES

The majority of Goodwill's functional expenses are program service related. Summarized functional expenses, which represent the total expenses for the years ended June 30, 2019 and 2018, including retail store operations, are as follows

	<u>2019</u>	<u>2018</u>
Salaries and wages	\$ 7,767,151	\$ 6,734,865
Occupancy expense	976,096	958,003
Employee benefits	1,001,945	971,769
Payroll taxes	637,951	554,644
Telephone and utilities	395,233	374,186
Vehicle and transportation expenses	301,309	351,098
Insurance	63,696	66,211
Program food and supplies	2,378,507	2,029,163
Repairs and maintenance	485,303	428,233
Office supplies and postage	210,877	280,302
Depreciation and amortization	199,123	230,361
Professional and consulting fees	67,709	98,478
Dues and subscriptions	115,624	112,038
Interest	22,241	20,365
Marketing and promotion	102,889	72,539
Bad debt expense	-	32
Other	294,768	129,528
Total	\$ 15,020,422	\$ 13,411,815

SUPPLEMENTARY INFORMATION

GOODWILL INDUSTRIES
STATEMENT OF REVENUES AND EXPENSES
COMMUNITY RESIDENTIAL HOMES PROGRAM
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2019	2019	2018
	<u>UN- RESTRICTED</u>	<u>TEMPO- RARILY RESTRICTED</u>	<u>TOTAL</u>	<u>TOTAL</u>
<u>OPERATING REVENUES</u>				
Program Services				
Community residential	\$ 6,181,772	\$ -	\$ 6,181,772	\$ 5,598,979
Total Operating Revenue	6,181,772	-	6,181,772	5,598,979
<u>OPERATING EXPENSES</u>				
Program Services				
Community residential				
Wages	3,669,397	-	3,669,397	3,225,015
Fica	222,838	-	222,838	195,012
Social Security / Medicare	52,128	-	52,128	45,623
Suta	12,759	-	12,759	12,988
Health insurance	263,608	-	263,608	218,066
Workers comp	173,494	-	173,494	190,322
Life and short term disability insurance	17,313	-	17,313	20,216
Staff development	14,252	-	14,252	16,166
Utilities	88,651	-	88,651	91,123
Telephone	22,535	-	22,535	21,539
Cable	27,052	-	27,052	25,711
Retirement	24,826	-	24,826	25,779
General insurance	43,652	-	43,652	43,651
Vehicle expenses	134,658	-	134,658	141,933
Advertising & promotion	-	-	-	73
Purchased personnel	158,589	-	158,589	-
Equipment	-	-	-	44,699
Interest expense	-	-	-	4,249
Depreciation	99,956	-	99,956	99,487
Medical supplies	8,251	-	8,251	13,609
Food	154,414	-	154,414	153,787
Program supplies	46,435	-	46,435	50,751
Household goods	44,655	-	44,655	38,932
Staff mileage	37,341	-	37,341	29,543
Waste removal	9,488	-	9,488	9,834
Rent	78,842	-	78,842	90,895
Repairs & maintenance	127,635	-	127,635	89,730
Administrative costs	874,304	-	874,304	613,328
Total Operating Expenses	6,407,073	-	6,407,073	5,512,061
Change in Net Assets from Community Residential Homes	\$ (225,301)	\$ -	\$ (225,301)	\$ 86,918

The accompanying notes are an integral part of these financial statements

GOODWILL INDUSTRIES
STATEMENT OF REVENUES AND EXPENSES
COMMUNITY EMPLOYMENT PROGRAM
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2019	2019	2018
	<u>UN-</u>	<u>TEMPO-</u>	<u>TOTAL</u>	<u>TOTAL</u>
	<u>RESTRICTED</u>	<u>RARILY</u>		
<u>OPERATING REVENUES</u>				
Program Services				
Community employment	\$ 642,656	\$ -	\$ 642,656	\$ 710,087
Total Operating Revenue	<u>642,656</u>	<u>-</u>	<u>642,656</u>	<u>- 710,087</u>
<u>OPERATING EXPENSES</u>				
Program Services				
Community residential				
Wages	419,926	-	419,926	488,123
Fica	25,221	-	25,221	29,294
Social Security / Medicare	5,898	-	5,898	6,849
Suta	1,216	-	1,216	1,216
Health insurance	61,156	-	61,156	64,632
Workers comp	9,841	-	9,841	6,983
Life and short term disability insurance	3,831	-	3,831	4,391
Staff development	2,889	-	2,889	5,018
Telephone	5,690	-	5,690	7,663
Cable	-	-	-	450
Retirement	13,492	-	13,492	13,773
General insurance	4,249	-	4,249	4,249
Vehicle expenses	613	-	613	-
Youth and mentor incentives	-	-	-	5,992
Youth engagement	-	-	-	20,485
Copier expense	1,211	-	1,211	526
Bank charges	-	-	-	-
Depreciation	11,358	-	11,358	8,725
Occupancy	-	-	-	15,000
Repairs and maintenance	20,239	-	20,239	-
Program supplies	10,786	-	10,786	15,514
Staff mileage	23,834	-	23,834	46,077
Meetings & conferences	2,102	-	2,102	-
Accounting	-	-	-	1,440
Advertising & Promotion	70	-	70	608
Administrative costs	90,893	-	90,893	77,785
Total Operating Expenses	<u>714,515</u>	<u>-</u>	<u>714,515</u>	<u>- 824,793</u>
Change in Net Assets from Community Employment	<u>\$ (71,859)</u>	<u>\$ -</u>	<u>\$ (71,859)</u>	<u># \$(114,706)</u>

The accompanying notes are an integral part of these financial statements

GOODWILL INDUSTRIES
STATEMENT OF REVENUES AND EXPENSES
CHILD CARE PROVIDERS PROGRAM
FOR THE YEARS ENDED JUNE 30, 2018 and 2017

	<u>2018</u>	<u>2018</u>	<u>2018</u>	<u>2017</u>
	<u>UN-</u>	<u>TEMPO-</u>		
	<u>RESTRICTED</u>	<u>RARILY</u>	<u>TOTAL</u>	<u>TOTAL</u>
		<u>RESTRICTED</u>		
<u>OPERATING REVENUES</u>				
Program Services				
Child Care Providers	\$ 170,134	\$ -	\$ 170,134	\$ 170,580
Total Operating Revenue	170,134	-	170,134	170,580
<u>OPERATING EXPENSES</u>				
Program Services				
Wages	51,940	-	51,940	51,430
Fica	3,220	-	3,220	3,185
Social Security / Medicare	753	-	753	745
Suta	-	-	-	-
Health insurance	-	-	-	-
Workers comp	1,421	-	1,421	1,277
Life and short term disability insurance	620	-	620	579
Staff development	-	-	-	164
Child care trainers	36,270	-	36,270	36,286
Miscellaneous	-	-	-	-
Purchased personnel	-	-	-	17,400
Telephone	674	-	674	673
Cable	492	-	492	492
Retirement	2,535	-	2,535	3,082
General insurance	2,673	-	2,673	2,673
Program supplies	3,125	-	3,125	1,960
Staff mileage	3,492	-	3,492	5,745
Repairs & maintenance	967	-	967	-
Administrative costs	24,062	-	24,062	18,686
Total Operating Expenses	132,244	-	132,244	144,377
Change in Net Assets from Child Care Provider Programs	\$ 37,890	\$ -	\$ 37,890	\$ 26,203

The accompanying notes are an integral part of these financial statements

GOODWILL INDUSTRIES
STATEMENT OF REVENUES AND EXPENSES
SEAL (formerly KIDS TIME) PROGRAM
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2019	2019	2018
	<u>UN-</u>	<u>TEMPO-</u>	<u>TOTAL</u>	<u>TOTAL</u>
	<u>RESTRICTED</u>	<u>RARILY</u>		
	<u>RESTRICTED</u>	<u>RESTRICTED</u>		
<u>ERATING REVENUES</u>				
Program Services				
Kids Time	\$ 114,697	\$ -	\$ 114,697	\$ 115,500
Total Operating Revenue	<u>114,697</u>	<u>-</u>	<u>114,697</u>	<u>115,500</u>
<u>ERATING EXPENSES</u>				
Program Services				
Wages	73,529	-	73,529	68,303
Fica	2,458	-	2,458	4,235
Social Security / Medicare	575	-	575	990
Suta	8,564	-	8,564	767
Health insurance	6,802	-	6,802	4,982
Workers comp	972	-	972	2,697
Life and short term disability insurance	325	-	325	263
Occupancy	12,115	-	12,115	11,881
Miscellaneous	1,278	-	1,278	397
Telephone	1,100	-	1,100	698
Retirement	694	-	694	4,098
General insurance	1,590	-	1,590	1,590
Vehicle expenses	1,982	-	1,982	3,167
Food	415	-	415	426
Program supplies	1,532	-	1,532	7,452
Recreational activities	766	-	766	700
Staff mileage	-	-	-	2,854
Total Operating Expenses	<u>114,697</u>	<u>-</u>	<u>114,697</u>	<u>115,500</u>
Change in Net Assets from Kids Time Program	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

GOODWILL INDUSTRIES
STATEMENT OF REVENUES AND EXPENSES
ADULT PROGRAMS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2019	2019	2018
	<u>UN-</u>	<u>TEMPO-</u>	<u>TOTAL</u>	<u>TOTAL</u>
	<u>RESTRICTED</u>	<u>RARILY</u>		
		<u>RESTRICTED</u>		
<u>OPERATING REVENUES</u>				
Program Services				
Adult Programs	\$ 980,452	\$ -	\$ 980,452	\$ 1,115,815
Total Operating Revenue	980,452	-	980,452	1,115,815
<u>OPERATING EXPENSES</u>				
Program Services				
Community residential				
Wages	507,214	-	507,214	482,947
Fica	31,094	-	31,094	29,498
Social Security / Medicare	7,272	-	7,272	6,898
Suta	433	-	433	433
Health insurance	21,336	-	21,336	18,599
Workers comp	10,794	-	10,794	10,045
Life and short term disability insurance	2,574	-	2,574	1,736
Staff development	3,662	-	3,662	3,429
Telephone	4,443	-	4,443	7,398
Cable	1,882	-	1,882	1,784
Retirement	7,152	-	7,152	7,865
General insurance	720	-	720	720
Vehicle expenses	22,904	-	22,904	36,600
Advertising & promotion	70	-	70	-
Copier expense	2,561	-	2,561	2,639
Depreciation	13,834	-	13,834	14,474
Food	2,736	-	2,736	2,453
Program supplies	18,331	-	18,331	39,409
Recreational activities	14	-	14	367
Household goods	-	-	-	-
Staff mileage	126	-	126	2,787
Rent	85,600	-	85,600	96,870
Utilities	15,833	-	15,833	16,083
Repairs & maintenance	30,577	-	30,577	12,623
Interest	-	-	-	758
Administrative costs	138,668	-	138,668	122,230
Total Operating Expenses	929,830	-	929,830	918,645
Change in Net Assets from Adult Programs	\$ 50,622	\$ -	\$ 50,622	\$ 197,170

The accompanying notes are an integral part of these financial statements

GOODWILL INDUSTRIES
STATEMENT OF REVENUES AND EXPENSES
RETAIL STORE OPERATIONS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2019	2019	2018
	<u>UN-</u>	<u>TEMPO-</u>	<u>TOTAL</u>	<u>TOTAL</u>
	<u>RESTRICTED</u>	<u>RARILY</u>		
		<u>RESTRICTED</u>		
<u>NON-OPERATING REVENUES</u>				
Retail Store Operations	\$ 5,767,241	\$ -	\$5,767,241	\$ 5,096,490
Total Operating Revenue	<u>5,767,241</u>	<u>-</u>	<u>5,767,241</u>	<u>5,096,490</u>
<u>OPERATING EXPENSES</u>				
Program Services				
Wages	1,903,757	-	1,903,757	1,668,519
Fica	114,966	-	114,966	97,394
Social Security / Medicare	26,887	-	26,887	22,590
Suta	600	-	600	6,165
Health insurance	98,525	-	98,525	93,795
Workers comp	53,641	-	53,641	50,963
Life and short term disability insurance	8,770	-	8,770	7,852
Staff development	14,039	-	14,039	13,248
Postage & shipping	91,062	-	91,062	62,710
Operating expenses	32,431	-	32,431	36,545
Rent	801,061	-	801,061	759,341
Utilities	106,809	-	106,809	109,098
Telephone	18,142	-	18,142	18,894
Retirement	14,767	-	14,767	19,327
General insurance	6,000	-	6,000	6,000
Vehicle expenses	46,614	-	46,614	55,799
Advertising & promotion	4,399	-	4,399	5,601
Licenses & permits	348	-	348	465
Merchandise	197,539	-	197,539	63,362
Bank charges	62,566	-	62,566	53,612
Depreciation	50,381	-	50,381	51,148
Office supplies	18,337	-	18,337	27,732
Store supplies	84,596	-	84,596	153,549
Staff mileage	14,538	-	14,538	11,027
Waste removal	99,016	-	99,016	78,046
Repairs & maintenance	109,254	-	109,254	74,059
Amortization of startup costs	19,918	-	19,918	19,918
Donated goods expense	1,588,081	-	1,588,081	1,403,381
Administrative costs	815,676	-	815,676	558,284
Total Operating Expenses	<u>6,402,720</u>	<u>-</u>	<u>6,402,720</u>	<u>5,528,424</u>
Change in Net Assets from Retail Store Operations	<u>\$ (635,479)</u>	<u>\$ -</u>	<u>\$ (635,479)</u>	<u>\$ (431,934)</u>

The accompanying notes are an integral part of these financial statements

GOODWILL INDUSTRIES
STATEMENT OF REVENUES AND EXPENSES
THEATER OPERATIONS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2019	2019	2018
	UN- RESTRICTED	TEMPO- RARILY RESTRICTED	TOTAL	TOTAL
<u>NON-OPERATING REVENUES</u>				
Concession	\$ -		\$ -	\$ 160
Theater Tickets	144,720		144,720	185,302
Fund Raising	100		100	600
Contributions	265		265	19,550
Special Event	43,147	-	43,147	56,834
Total Operating Revenue	188,232	-	188,232	262,446
<u>OPERATING EXPENSES</u>				
Program Services				
Wages	86,406	-	86,406	88,144
Fica	5,168	-	5,168	5,328
Social Security / Medicare	1,209	-	1,209	1,246
Health insurance	10,158	-	10,158	5,319
Workers compensation insurance	1,172	-	1,172	522
Life and short term disability insurance	1,011	-	1,011	944
Staff development	-	-	-	97
Retirement	2,623	-	2,623	1,740
Purchased personnel	23,520	-	23,520	25,031
Miscellaneous	-	-	-	87
Postage	-	-	-	16
Utilities	19,949	-	19,949	19,990
Telephone	660	-	660	1,041
Meetings & conferences	-	-	-	-
Entertainment	79,588	-	79,588	94,458
Advertising & promotion	30,947	-	30,947	37,117
Licenses & permits	2,002	-	2,002	2,492
Seasonal expense	1,241	-	1,241	1,161
Depreciation	2,355	-	2,355	2,723
Office supplies	4,331	-	4,331	2,100
Repairs & maintenance	17,102	-	17,102	6,818
Transportation	-	-	-	-
Dues & subscriptions	-	-	-	-
Supplies	3,079	-	3,079	4,572
Special event expense	200	-	200	26,278
Administrative costs	26,622	-	26,622	28,749
Total Operating Expenses	319,343	-	319,343	355,973
Change in Net Assets from Retail Store Operations	\$ (131,111)	-	\$ (131,111)	\$ (93,527)

The accompanying notes are an integral part of these financial statements

GOODWILL INDUSTRIES
STATEMENT OF EXPENSES
ADMINISTRATIVE COSTS ALLOCATED TO PROGRAMS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2019	2019	2018
	<u>UN-</u>	<u>TEMPO-</u>	<u>TOTAL</u>	<u>TOTAL</u>
	<u>RESTRICTED</u>	<u>RARILY</u>		
Wages	\$ 1,085,471	\$ -	\$ 1,085,471	\$ 662,383
Fica	46,441	-	46,441	38,994
Social Security / Medicare	15,988	-	15,988	10,128
Suta	52,263	-	52,263	35,067
Health insurance	97,479	-	97,479	127,272
Workers comp	13,995	-	13,995	4,921
Life and short term disability insurance	13,124	-	13,124	8,682
Staff development	69	-	69	3,578
Miscellaneous	2,574	-	2,574	3,355
Postage	7,706	-	7,706	6,436
Rent	-	-	-	-
Utilities	37,776	-	37,776	38,885
Telephone	9,748	-	9,748	10,384
Retirement	65,173	-	65,173	40,455
General insurance	6,554	-	6,554	7,328
Meetings & conferences	8,156	-	8,156	8,887
Vehicle expenses	13,836	-	13,836	14,496
Advertising & promotion	34,169	-	34,169	16,602
Licenses & permits	286	-	286	287
Equipment	-	-	-	8,870
Legal & accounting	48,370	-	48,370	43,977
Consulting	19,165	-	19,165	35,661
Seasonal expense	47,131	-	47,131	26,273
Bank charges	379	-	379	1,722
Interest expense	60,983	-	60,983	15,358
Fees	1,875	-	1,875	3,004
Depreciation	30,514	-	30,514	21,379
Office supplies	36,741	-	36,741	51,623
Dues & subscriptions	115,424	-	115,424	111,838
Staff mileage	3,090	-	3,090	1,635
Staff meals	407	-	407	-
Special event expense	31,604	-	31,604	-
Waste removal	3,352	-	3,352	4,737
Repairs & maintenance	32,450	-	32,450	36,419
Computer maintenance	27,908	-	27,908	18,394
Bad debt expense	24	-	24	32
Total Administration Expenses	<u>\$ 1,970,225</u>	<u>\$ -</u>	<u>\$ 1,970,225</u>	<u>\$ 1,419,062</u>

The accompanying notes are an integral part of these financial statements

MURPHY, DOUGHERTY & COMPANY

Certified Public Accountants

1310 Church Street, Suite 3000, Route 690 • Moscow, PA 18444

Ph: (570) 848 2866 • Fax: (570) 848 2833

J. PAUL MURPHY, CPA
MICHAEL DOUGHERTY, CPA

PAUL T. MURPHY, CPA
LEAH C. ROSENKRANS, CPA

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

Board of Directors
Goodwill Industries of Northeastern Pennsylvania, Inc.
Scranton, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards" issued by the Comptroller General of the United States, the statement of financial position of Goodwill Industries of Northeastern Pennsylvania, Inc. (Goodwill), as of and for the years ended June 30, 2019 and 2018, and the related statements of activities and changes in net assets and cash flows, and the related notes to the financial statements, and have issued our report thereon dated December 10, 2019.

Internal Control Over Financial Reporting

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

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

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

(GOODWILL INDUSTRIES OF NORTHEASTERN PENNSYLVANIA, INC. – AUDITORS' REPORT
– CONTINUED)

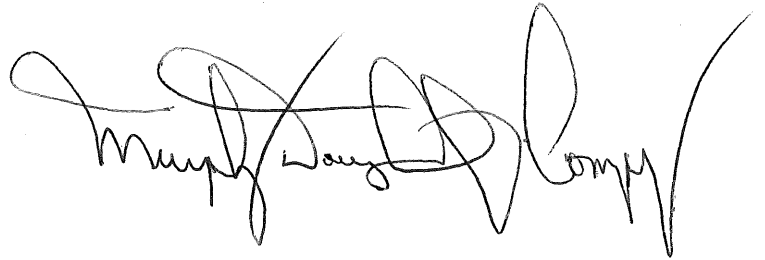
Compliance and Other Matters

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

Purpose of this Report

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

Moscow, Pennsylvania
December 10, 2019

A handwritten signature in black ink, appearing to read "Murphy", with a large, stylized flourish extending from the end of the name.

MURPHY, DOUGHERTY & COMPANY

Certified Public Accountants

1310 Church Street, Suite 3000, Route 690 • Moscow, PA 18444

Ph: (570) 848 2866 • Fax: (570) 848 2833

J. PAUL MURPHY, CPA
MICHAEL DOUGHERTY, CPA

PAUL T. MURPHY, CPA
LEAH C. ROSENKRANS, CPA

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

To the Board of Directors
Goodwill Industries of Northeastern Pennsylvania, Inc.
Scranton, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited the Goodwill Industries of Northeastern Pennsylvania, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the years ended June 30, 2019 and 2018. Goodwill Industries of Northeastern Pennsylvania, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

(GOODWILL INDUSTRIES OF NORTHEASTERN PENNSYLVANIA, INC. - AUDITORS' REPORT
- CONTINUED)

Opinion on Each Major Federal Program

In our opinion, the Goodwill Industries of Northeastern Pennsylvania, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the years ended June 30, 2019 and 2018.

Report on Internal Control Over Compliance

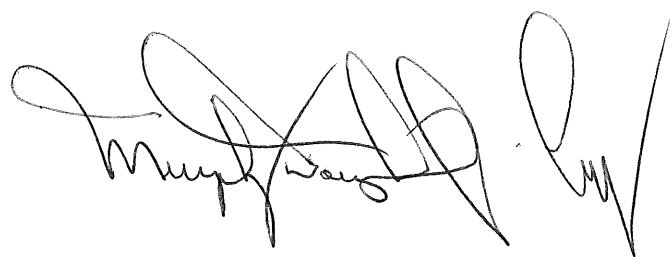
Management of the Goodwill Industries of Northeastern Pennsylvania, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Goodwill Industries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

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

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

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

Moscow, Pennsylvania
December 10, 2019



GOODWILL INDUSTRIES OF NORTHEASTERN PENNSYLVANIA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEARS ENDED JUNE 30, 2019 AND 2018

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified
Internal control over financial reporting:
Material weakness (es) identified? ____ yes X no
Reportable condition(s) identified that are not
considered to be material weakness (es)? ____ yes X none reported

Noncompliance material to financial statements
noted? ____ yes X no

Federal Awards

Internal control over major programs:
Material weakness (es) identified? ____ yes X no
Reportable condition(s) identified that are not
Considered to be material weakness (es)? ____ Yes X none reported

Type of auditor’s report issued on compliance
for major programs: Unmodified

Any audit findings disclosed that are required
to be reported in accordance with Title 2 U.S. Code of
Federal Regulations Part 200, Uniform Guidance ____ yes X no

Identification of major programs:

CFDA Number
93.778

Name of Federal Program or Cluster
Medical Assistance

Dollar threshold used to distinguish between type A and type B programs: \$750,000
Auditee qualified as low risk auditee? X yes ____ no

GOODWILL INDUSTRIES OF NORTHEASTERN PENNSYLVANIA, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL CFDA</u>	<u>2019 FEDERAL EXPENDITURES</u>	<u>2018 FEDERAL EXPENDITURES</u>
U.S. Department of Health and Human Services:			
Pass-through from the Pennsylvania Department of Human Services:			
Medical Assistance Program	93.778	3,477,069	\$3,215,091
Pass-through from Lackawanna-Susquehanna Counties:			
Block Grants for Community Mental Health Services	93.958	64,729	63,972
U.S. Department of Justice:			
Pass-through from Goodwill Industries International:			
Juvenile Mentoring Program	16.726	<u>-0-</u>	<u>106,181</u>
 TOTAL		 <u>\$3,541,798</u>	 <u>\$3,385,244</u>

GOODWILL INDUSTRIES OF NORTHEASTERN PENNSYLVANIA, INC.
NOTES TO THE SCHEDULE OF FEDERAL AWARDS
FOR THE YEARS ENDING JUNE 30, 2019 AND 2018

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Goodwill Industries of Northeastern Pennsylvania, Inc. (Goodwill) is a non-profit corporation. Goodwill provides community living arrangements, industry integrated training and transitional employment to mentally challenged individuals through the operation of various federal and state funded programs.

A. BASIS OF ACCOUNTING

This financial statement has been prepared on the cash basis of accounting in accordance with the contractual terms of service agreements with governmental agencies and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

GOODWILL INDUSTRIES OF NORTHEASTERN PENNSYLVANIA, INC.
SCHEDULE OF PRIOR FINDINGS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NO PRIOR FINDINGS NOTED

MURPHY, DOUGHERTY & COMPANY

Certified Public Accountants

1310 Church Street, Suite 3000, Route 690 • Moscow, PA 18444

Ph: (570) 848 2866 • Fax: (570) 848 2833

J. PAUL MURPHY CPA

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Goodwill Industries of Northeastern Pennsylvania, Inc.
Scranton, Pennsylvania

We have audited the accompanying financial statements of Goodwill Industries of Northeastern Pennsylvania, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2019 and 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. As part of our audit, we have audited the method used by Goodwill to allocate direct costs as required by the Commonwealth of Pennsylvania, Department of Public Welfare, Title 4300 Regulations. This cost allocation plan is the responsibility of the management of Goodwill. Our responsibility is to express an opinion on this cost allocation plan based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the equitable distribution of indirect costs. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall cost allocation method. We believe that our audits provide a reasonable basis for our opinion.

The Commonwealth of Pennsylvania, Department of Public Welfare, Title 4300 Regulations state, "The overall objective of the allocation process is to distribute the indirect costs of the agency to its various services or cost categories in reasonable proportion with the benefits provided to these services or cost categories." The Regulations require that the method used result in a fair and equitable distribution of costs, which shall be in direct relation to actual benefits accruing to the services to which costs are charged.

In our opinion, the cost allocation plan of Goodwill referred to above present fairly, in all material respects, an equitable distribution of costs of Goodwill for the years ended June 30, 2019 and 2018, as required by the Commonwealth of Pennsylvania, Department of Public Welfare, Title 4300 Regulations.

This report is intended solely for the information and use of the Board of Directors, management, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Moscow, Pennsylvania
December 10, 2019

