

**Goodwill Industries of
Northern Michigan, Inc.
and Subsidiary**

**Consolidated Financial Statements
and
Supplementary Information**

**For the Years Ended
September 30, 2009 and 2008**



**GOODWILL INDUSTRIES OF NORTHERN MICHIGAN, INC.
AND SUBSIDIARY**

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INDEPENDENT AUDITORS' REPORT

December 23, 2009

Board of Directors
Goodwill Industries of Northern
Michigan, Inc. and Subsidiary
Traverse City, Michigan

We have audited the accompanying consolidated statements of financial position of *Goodwill Industries of Northern Michigan, Inc. and Subsidiary* ("Goodwill") as of September 30, 2009 and 2008, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended. These consolidated financial statements are the responsibility of Goodwill's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of *Goodwill Industries of Northern Michigan, Inc. and Subsidiary* as of September 30, 2009 and 2008, and their consolidated changes in net assets and consolidated cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



**GOODWILL INDUSTRIES OF NORTHERN MICHIGAN, INC.
AND SUBSIDIARY**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | ASSETS | September 30 | |
|---|--------|----------------------|---------------------|
| | | 2009 | 2008 |
| Current assets | | | |
| Cash and cash equivalents | | \$ 578,179 | \$ 1,346,157 |
| Investment securities | | 1,503,841 | - |
| Accounts receivable, net | | 316,410 | 351,880 |
| Pledges receivable, net | | 7,400 | 20,826 |
| Inventories | | 249,013 | 160,502 |
| Prepaid expenses and other | | 63,152 | 83,994 |
| Total current assets | | 2,717,995 | 1,963,359 |
| Property and equipment, net | | 7,604,898 | 7,817,171 |
| Total assets | | \$ 10,322,893 | \$ 9,780,530 |
| LIABILITIES AND NET ASSETS | | | |
| Current liabilities | | | |
| Accounts payable | | \$ 71,001 | \$ 129,448 |
| Accrued expenses | | 327,193 | 307,727 |
| Deferred revenue | | 28,083 | 97,785 |
| Current portion of long-term debt | | 124,810 | 121,404 |
| Total current liabilities | | 551,087 | 656,364 |
| Long-term debt, net of current portion | | 2,550,444 | 2,690,068 |
| Interest rate swap | | 161,447 | 52,339 |
| Total liabilities | | 3,262,978 | 3,398,771 |
| Unrestricted net assets | | | |
| Undesignated net assets | | 5,518,662 | 6,283,974 |
| Board designated net assets | | 1,400,000 | - |
| Total unrestricted net assets | | 6,918,662 | 6,283,974 |
| Temporarily restricted net assets | | 141,253 | 97,785 |
| Total net assets | | 7,059,915 | 6,381,759 |
| Total liabilities and net assets | | \$ 10,322,893 | \$ 9,780,530 |

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

**GOODWILL INDUSTRIES OF NORTHERN MICHIGAN, INC.
AND SUBSIDIARY**

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2009

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|---------------------|
| Revenues and other support | | | |
| Retail sales - donated goods | \$ 5,581,275 | \$ - | \$ 5,581,275 |
| Program service fees | 827,610 | - | 827,610 |
| Fundraising | 42,029 | - | 42,029 |
| Grants | 615,911 | - | 615,911 |
| Contributions - donated goods | 1,898,162 | - | 1,898,162 |
| Contributions - other | 270,771 | 159,270 | 430,041 |
| Interest | 46,842 | - | 46,842 |
| Miscellaneous | 51,956 | - | 51,956 |
| Net assets released from restrictions | 115,802 | (115,802) | - |
| Total revenues and other support | 9,450,358 | 43,468 | 9,493,826 |
| Operating expenses | | | |
| Program services | | | |
| Retail operations | 5,415,343 | - | 5,415,343 |
| Client services | 1,171,430 | - | 1,171,430 |
| Recycling | 30,682 | - | 30,682 |
| Food services | 153,346 | - | 153,346 |
| Homeless shelter | 1,048,329 | - | 1,048,329 |
| Total program services | 7,819,130 | - | 7,819,130 |
| Supporting services | | | |
| Management and general | 894,698 | - | 894,698 |
| Fundraising | 43,466 | - | 43,466 |
| Total supporting services | 938,164 | - | 938,164 |
| Total operating expenses | 8,757,294 | - | 8,757,294 |
| Revenues and other support in excess of operating expenses | 693,064 | 43,468 | 736,532 |
| Nonoperating activities | | | |
| Loss on sale of property and equipment | (13,816) | - | (13,816) |
| Net realized/unrealized gains on investment securities | 205,465 | - | 205,465 |
| Change in fair value of interest rate swap | (109,108) | - | (109,108) |
| Impairment loss on property and equipment | (140,917) | - | (140,917) |
| Increase in net assets | 634,688 | 43,468 | 678,156 |
| Net assets, beginning of year | 6,283,974 | 97,785 | 6,381,759 |
| Net assets, end of year | \$ 6,918,662 | \$ 141,253 | \$ 7,059,915 |

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

**GOODWILL INDUSTRIES OF NORTHERN MICHIGAN, INC.
AND SUBSIDIARY**

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2008

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|---------------------|
| Revenues and other support | | | |
| Retail sales - donated goods | \$ 4,534,990 | \$ - | \$ 4,534,990 |
| Program service fees | 889,534 | - | 889,534 |
| Fundraising | 262,750 | - | 262,750 |
| Grants | 272,806 | 100,000 | 372,806 |
| Contributions - donated goods | 1,430,823 | - | 1,430,823 |
| Contributions - other | 182,942 | - | 182,942 |
| Interest | 26,298 | - | 26,298 |
| Miscellaneous | 60,450 | - | 60,450 |
| Net assets released from restrictions | 2,215 | (2,215) | - |
| Total revenues and other support | 7,662,808 | 97,785 | 7,760,593 |
| Expenses | | | |
| Program services | | | |
| Retail operations | 4,072,083 | - | 4,072,083 |
| Client services | 1,067,651 | - | 1,067,651 |
| Recycling | 45,712 | - | 45,712 |
| Food services | 144,523 | - | 144,523 |
| Homeless shelter | 997,303 | - | 997,303 |
| Total program services | 6,327,272 | - | 6,327,272 |
| Supporting services | | | |
| Management and general | 883,689 | - | 883,689 |
| Fundraising | 26,472 | - | 26,472 |
| Total supporting services | 910,161 | - | 910,161 |
| Total operating expenses | 7,237,433 | - | 7,237,433 |
| Revenues and other support in excess of operating expenses | 425,375 | 97,785 | 523,160 |
| Nonoperating activities | | | |
| Loss on sale of property and equipment | (28,250) | - | (28,250) |
| Change in fair value of interest rate swap | (4,410) | - | (4,410) |
| Increase in net assets | 392,715 | 97,785 | 490,500 |
| Net assets, beginning of year | 5,891,259 | - | 5,891,259 |
| Net assets, end of year | \$ 6,283,974 | \$ 97,785 | \$ 6,381,759 |

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

**GOODWILL INDUSTRIES OF NORTHERN MICHIGAN, INC.
AND SUBSIDIARY**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2009

| | Program Services | | | | |
|--|----------------------|---------------------|------------------|-------------------|---------------------|
| | Retail Operations | Client Services | Recycling | Food Services | Homeless Shelter |
| Salaries | \$ 1,631,912 | \$ 619,227 | \$ 13,628 | \$ 133,754 | \$ 351,879 |
| Payroll taxes | 154,278 | 64,847 | 333 | 13,221 | 35,185 |
| Employee benefits | 178,877 | 69,705 | 834 | 20,518 | 44,950 |
| Total salaries and related benefits | 1,965,067 | 753,779 | 14,795 | 167,493 | 432,014 |
| Cost of goods sold | 2,075,287 | - | - | - | - |
| Rent and lease expense | 279,779 | - | - | - | - |
| Interest | 110,644 | 11,613 | 3,156 | - | 8,616 |
| Depreciation | 123,889 | 16,583 | 2,328 | 26 | 146,963 |
| Supplies and purchases | 75,318 | 66,298 | 3,429 | 25,621 | 94,648 |
| Utilities | 113,221 | 8,961 | 1,523 | - | 48,236 |
| Bad debts | 1,825 | 21,765 | - | - | - |
| Direct client assistance | - | 159,170 | - | - | 162,014 |
| Advertising | 149,775 | 28,466 | 1,875 | 1,226 | 15,097 |
| Insurance | 46,501 | 8,556 | 747 | 2,292 | 11,352 |
| GII dues | 55,221 | 6,290 | 392 | 1,610 | 2,313 |
| Garbage | 77,940 | 110 | 1,227 | 1,016 | 3,252 |
| Repairs and maintenance | 88,811 | 4,985 | 806 | 4,061 | 33,191 |
| Telephone and cable | 13,483 | 8,105 | 53 | 866 | 11,623 |
| Vehicle | 39,619 | 9,883 | - | 113 | 56,977 |
| Professional fees | 28,560 | (11,985) | 136 | 665 | 8,840 |
| Miscellaneous | 2,585 | 16,833 | 131 | (52,229) | (1,499) |
| Travel | 4,760 | 6,345 | - | - | 1,147 |
| Conventions and meetings | 329 | 801 | - | - | 715 |
| Administrative | - | - | - | - | - |
| Office supplies | 10,994 | 10,497 | 25 | 303 | 10,975 |
| Postage | 53,532 | 1,184 | 3 | 51 | 1,386 |
| Annual bond financing | 17,859 | 2,492 | - | - | - |
| Grant match | - | 39,000 | - | - | - |
| Service charges | 80,344 | 1,699 | 56 | 232 | 469 |
| Total functional expenses | \$ 5,415,343 | \$ 1,171,430 | \$ 30,682 | \$ 153,346 | \$ 1,048,329 |

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

| <u>Total</u> | <u>Supporting Services</u> | | | <u>Total Expenses</u> |
|----------------------------|-------------------------------|-------------------------|--------------------------|----------------------------|
| | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> | |
| \$ 2,750,400 | \$ 572,233 | \$ - | \$ 572,233 | \$ 3,322,633 |
| 267,864 | 70,558 | - | 70,558 | 338,422 |
| 314,884 | 74,429 | - | 74,429 | 389,313 |
| 3,333,148 | 717,220 | - | 717,220 | 4,050,368 |
| 2,075,287 | - | - | - | 2,075,287 |
| 279,779 | - | - | - | 279,779 |
| 134,029 | 10,775 | - | 10,775 | 144,804 |
| 289,789 | 11,081 | - | 11,081 | 300,870 |
| 265,314 | 7,761 | - | 7,761 | 273,075 |
| 171,941 | 7,866 | - | 7,866 | 179,807 |
| 23,590 | 6,246 | - | 6,246 | 29,836 |
| 321,184 | - | - | - | 321,184 |
| 196,439 | 3,904 | 22,282 | 26,186 | 222,625 |
| 69,448 | 6,094 | - | 6,094 | 75,542 |
| 65,826 | 1,806 | - | 1,806 | 67,632 |
| 83,545 | 458 | - | 458 | 84,003 |
| 131,854 | 12,825 | - | 12,825 | 144,679 |
| 34,130 | 4,073 | - | 4,073 | 38,203 |
| 106,592 | 1,720 | - | 1,720 | 108,312 |
| 26,216 | 24,232 | - | 24,232 | 50,448 |
| (34,179) | (9,606) | 21,184 | 11,578 | (22,601) |
| 12,252 | 7,305 | - | 7,305 | 19,557 |
| 1,845 | 3,182 | - | 3,182 | 5,027 |
| - | 56,467 | - | 56,467 | 56,467 |
| 32,794 | 7,256 | - | 7,256 | 40,050 |
| 56,156 | 2,682 | - | 2,682 | 58,838 |
| 20,351 | 3,536 | - | 3,536 | 23,887 |
| 39,000 | - | - | - | 39,000 |
| 82,800 | 7,815 | - | 7,815 | 90,615 |
| <u>\$ 7,819,130</u> | <u>\$ 894,698</u> | <u>\$ 43,466</u> | <u>\$ 938,164</u> | <u>\$ 8,757,294</u> |

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

**GOODWILL INDUSTRIES OF NORTHERN MICHIGAN, INC.
AND SUBSIDIARY**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2008

| | Program Services | | | | |
|--|----------------------|---------------------|------------------|-------------------|---------------------|
| | Retail Operations | Client Services | Recycling | Food Services | Homeless Shelter |
| Salaries | \$ 1,328,034 | \$ 612,785 | \$ 21,452 | \$ 122,375 | \$ 340,391 |
| Payroll taxes | 105,678 | 50,276 | 1,284 | 9,862 | 26,690 |
| Employee benefits | 134,945 | 61,538 | 1,481 | 18,401 | 45,652 |
| Total salaries and related benefits | 1,568,657 | 724,599 | 24,217 | 150,638 | 412,733 |
| Cost of goods sold | 1,527,324 | - | - | - | - |
| Rent and lease expense | 74,872 | 1,392 | - | - | - |
| Interest | 83,451 | 1,747 | 6,736 | - | 20,942 |
| Depreciation | 106,220 | 10,108 | 6,414 | 26 | 143,771 |
| Supplies and purchases | 69,648 | 81,315 | 1,556 | 27,650 | 47,857 |
| Utilities | 97,782 | 5,393 | 3,982 | 387 | 47,284 |
| Bad debts | 891 | - | - | - | - |
| Direct client assistance | - | 137,707 | - | - | 169,179 |
| Advertising | 105,561 | 10,274 | 8,631 | 1,125 | 30,221 |
| Insurance | 42,655 | 4,432 | 2,230 | 458 | 12,595 |
| GII dues | 46,151 | 5,565 | 633 | 1,215 | 1,663 |
| Garbage | 79,603 | 974 | 450 | 1,100 | 3,323 |
| Repairs and maintenance | 64,231 | 3,651 | 2,295 | 1,899 | 33,072 |
| Telephone and cable | 9,381 | 8,135 | 149 | 232 | 12,724 |
| Vehicle | 34,901 | 9,748 | - | 921 | - |
| Professional fees | 23,107 | (10,759) | 304 | 699 | 36,616 |
| Miscellaneous | 6,643 | 4,478 | (12,194) | (42,235) | 15,381 |
| Travel | 5,112 | 4,562 | - | - | 2,483 |
| Conventions and meetings | 358 | 715 | - | - | 113 |
| Administrative | - | - | - | - | - |
| Office supplies | 16,038 | 6,492 | 154 | 193 | 4,929 |
| Annual bond financing | 17,979 | 1,984 | - | - | - |
| Grant match | - | 53,118 | - | - | - |
| Postage | 35,693 | 840 | 14 | 18 | 1,994 |
| Service charges | 55,825 | 1,181 | 141 | 197 | 423 |
| Total functional expenses | \$ 4,072,083 | \$ 1,067,651 | \$ 45,712 | \$ 144,523 | \$ 997,303 |

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

| <u>Total</u> | <u>Supporting Services</u> | | | <u>Total Expenses</u> |
|---------------------|-------------------------------|--------------------|-------------------|-----------------------|
| | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> | |
| \$ 2,425,037 | \$ 508,222 | \$ - | \$ 508,222 | \$ 2,933,259 |
| 193,790 | 51,854 | - | 51,854 | 245,644 |
| 262,017 | 60,626 | - | 60,626 | 322,643 |
| 2,880,844 | 620,702 | - | 620,702 | 3,501,546 |
| 1,527,324 | - | - | - | 1,527,324 |
| 76,264 | - | - | - | 76,264 |
| 112,876 | 58,077 | - | 58,077 | 170,953 |
| 266,539 | 21,256 | - | 21,256 | 287,795 |
| 228,026 | 2,969 | 6,616 | 9,585 | 237,611 |
| 154,828 | 9,388 | - | 9,388 | 164,216 |
| 891 | 91 | 6,306 | 6,397 | 7,288 |
| 306,886 | - | - | - | 306,886 |
| 155,812 | 1,275 | 7,256 | 8,531 | 164,343 |
| 62,370 | 8,796 | - | 8,796 | 71,166 |
| 55,227 | 756 | - | 756 | 55,983 |
| 85,450 | 1,875 | - | 1,875 | 87,325 |
| 105,148 | 14,861 | 2,869 | 17,730 | 122,878 |
| 30,621 | 4,601 | - | 4,601 | 35,222 |
| 45,570 | 749 | - | 749 | 46,319 |
| 49,967 | 32,836 | - | 32,836 | 82,803 |
| (27,927) | 8,135 | 1,106 | 9,241 | (18,686) |
| 12,157 | 14,243 | - | 14,243 | 26,400 |
| 1,186 | 2,791 | 523 | 3,314 | 4,500 |
| - | 67,500 | - | 67,500 | 67,500 |
| 27,806 | 5,896 | 69 | 5,965 | 33,771 |
| 19,963 | 4,639 | - | 4,639 | 24,602 |
| 53,118 | - | - | - | 53,118 |
| 38,559 | 1,820 | 555 | 2,375 | 40,934 |
| 57,767 | 433 | 1,172 | 1,605 | 59,372 |
| \$ 6,327,272 | \$ 883,689 | \$ 26,472 | \$ 910,161 | \$ 7,237,433 |

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

**GOODWILL INDUSTRIES OF NORTHERN MICHIGAN, INC.
AND SUBSIDIARY**

CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Year Ended September 30 | |
|--|--------------------------------|---------------------|
| | 2009 | 2008 |
| Cash flows from operating activities | | |
| Increase in net assets | \$ 678,156 | \$ 490,500 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities | | |
| Depreciation | 300,870 | 287,795 |
| Net unrealized gain on investment securities | (196,272) | - |
| Net realized gain on sale of investment securities | (9,193) | - |
| Provision for bad debts | 29,836 | 7,288 |
| Change in fair value of interest rate swap | 109,108 | 4,410 |
| Loss on sale of property and equipment | 13,816 | 28,250 |
| Loss on impairment of property and equipment | 140,917 | - |
| Changes in operating assets and liabilities which provided (used) cash | | |
| Accounts receivable | 5,634 | 5,848 |
| Pledges receivable | 13,426 | 113,300 |
| Inventories | (88,511) | (40,245) |
| Prepaid expenses and other | 20,842 | (43,006) |
| Accounts payable | (58,447) | 31,516 |
| Accrued expenses | 19,466 | 36,996 |
| Deferred revenue | (69,702) | 97,385 |
| Net cash provided by operating activities | 909,946 | 1,020,037 |
| Cash flows from investing activities | | |
| Purchases of property and equipment | (260,172) | (236,003) |
| Proceeds from sale of property and equipment | 16,842 | 1,536 |
| Proceeds from sales of investment securities | 256,324 | - |
| Purchases of investment securities | (1,554,700) | - |
| Net cash used in investing activities | (1,541,706) | (234,467) |
| Cash flows from financing activities | | |
| Proceeds from bond issue | - | 2,650,000 |
| Repayment of long-term debt | (136,218) | (2,944,683) |
| Net cash used in financing activities | (136,218) | (294,683) |
| Net (decrease) increase in cash and cash equivalents | (767,978) | 490,887 |
| Cash and cash equivalents, beginning of year | 1,346,157 | 855,270 |
| Cash and cash equivalents, end of year | \$ 578,179 | \$ 1,346,157 |

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

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. MISSION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities and Consolidation

The financial statements of Goodwill Industries of Northern Michigan, Inc. (“GWI”) and G.W. Homeless Services of Northern Michigan, Inc. (“GWH”) are collectively referred to as (“Goodwill”).

Goodwill’s mission is to help people overcome barriers to independence. GWI and GWH are not-for-profit corporations that provide employment, training and vocational opportunities, support services and shelter for the homeless, disabled and otherwise disadvantaged individuals living in northern lower Michigan.

Goodwill’s serves the regions communities through:

| | |
|-------------------|--|
| Retail Operations | Utilizing its four retail stores and E Commerce operations the Organization provides on-the-job training and employment opportunities. Revenue from the sale of donated clothing and other household goods goes directly toward growing and supporting critical community-based programs and services. |
| Client Services | Through its programs; Social Security Income and Disability Income appeals, Food Rescue, Street Outreach, Paperworks Studio and Workers-on-Wheels, Goodwill provides basic needs, housing support, case management, transportation and job placement services. |
| Recycling | Goodwill’s recycling program models sustainability and stewardship while creating on-the-job training and employment opportunities. |
| Food Services | Goodwill operates a commercial kitchen to provide meals for the Goodwill Inn homeless shelter and, in conjunction with Northwest Michigan Community Action Agency, Meals-on-Wheels. |
| Homeless Shelter | Goodwill provides temporary shelter, basic needs, family strengthening and life rebuilding services to homeless individuals and families. |

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Goodwill has presented the accompanying financial statements on a consolidated basis in accordance with Financial Accounting Standards Board Accounting Statements Codification (ASC) Topic 958-810-65, *Reporting of Related Entities by Not-for-Profit Organizations*. Upon consolidation, all material inter-entity accounts and transactions are eliminated.

Goodwill is a member of Goodwill Industries International, Inc. ("GII"). Members are required to remit 1% of earned unrestricted revenue to GII. Dues paid to GII totaled \$67,632 and \$55,983 for the years ended September 30, 2009 and 2008, respectively.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. Significant estimates include, but are not limited to, the valuation of donated goods inventory, fair value of investments and the interest rate swap liability.

Basis of Presentation

Goodwill reports information regarding its consolidated financial position and activities according to three classes of net assets depending on the existence or absence of donor imposed restrictions: unrestricted net assets temporarily restricted net assets and permanently restricted net assets. Goodwill had no permanently restricted net assets as of September 30, 2009 and 2008.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits and savings accounts held in banks and cash on hand. Goodwill maintains deposit and savings accounts in various financial institutions in Michigan which, at times, may exceed the federally insurance limits. Management believes interest rate or other financial risk associated with these deposits is not significant.

Accounts Receivable

Accounts receivable are stated at the amount Goodwill expects to collect from outstanding balances and generally no collateral is required. Goodwill provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on management's assessment of the current status of individual accounts. Balances that are still outstanding after reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes to the valuation allowance have typically not been material to the consolidated financial statements.

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Contributions

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted contributions.

Donated goods for resale are recorded as contributions at their estimated fair value at the date of donation. This merchandise requires the addition of program-related expenses/processes before it reaches its point of sale. For the years ended September 30, 2009 and 2008, Goodwill recognized contributed merchandise with a fair value of \$1,898,162 and \$1,430,823, respectively, as contributions revenue. Fair value is estimated to be that portion of retail sales which exceeds the cost of preparing the merchandise for sale.

Pledges

Pledges are recognized as revenue when the donor makes a promise to give to Goodwill that is, in substance, unconditional, and collection is reasonably assured.

Inventories

Inventories consist primarily of donated goods and are recorded at estimated realizable value as determined by management using a calculation which estimates inventory based on factors such as net sales, inventory turnover and program-related costs incurred for preparing the inventory for sale. This method is suggested and used by the affiliates of GII nationwide and is considered generally accepted by many affiliates of GII.

Investment Securities

Investment securities are reported at their fair values as determined by quoted market prices. Realized gains and losses on sales of investments are determined using the average cost method. Unrealized investment gains and losses are included in the change in unrestricted net assets.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Fair Value Measurements

Effective October 1, 2008, Goodwill adopted ASC Topic 820-10., Fair Value Measurements, which defines fair value, establishes a framework for measuring fair value under accounting principles generally accepted in the United States, and enhances disclosures about fair value measurements. Goodwill elected to delay the application of ASC Topic 820-10 to nonfinancial assets and nonfinancial liabilities, as allowed by ASC Topic 820-65-1. ASC Topic 820-10 applies whenever other financial reporting standards require (or permit) assets or liabilities to be measured at fair value and, therefore, does not expand the use of fair value in any new circumstances. Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction (i.e., not a forced transaction, such as a liquidation or distressed sale) between market participants at the measurement date. ASC Topic 820-10 clarifies that fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data. For assets and liabilities recorded at fair value, it is Goodwill's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements for those financial instruments for which there is an active market. The initial adoption of ASC Topic 820-10-05 did not have any impact on Goodwill's consolidated financial position or results of operations. For further discussion of ASC Topic 820-10, refer to Note 5.

Uncertain Tax Positions

Management has elected to defer the application of ASC Topic 740-10-25, Accounting for Uncertainty in Income Taxes, in accordance with ASC Topic 740-10-65. ASC Topic 740-10-65 defers the effective date of ASC Topic 740-10-25 for certain private companies and nonprofit organizations until fiscal years beginning after December 15, 2008. The Organization continues to follow ASC Topic 450-20-50, Accounting for Contingencies, in accounting for uncertain tax positions until they adopt ASC Topic 740-10-25 in fiscal 2010.

Property and Equipment and Depreciation

Property and equipment are stated at cost or, in cases of donated assets, at estimated fair value on the date of gift, less accumulated depreciation. Land is stated at cost. Major improvements and renewals are capitalized while ordinary maintenance and repairs are expensed. Depreciation is recognized using the straight-line method over the estimated useful lives of the assets, which range from 3 to 40 years.

Management annually reviews these assets to determine whether carrying values have been impaired. During 2009 management determined a building owned by Goodwill was impaired and, accordingly, recorded an impairment loss of \$140,917.

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Revenue Recognition

Retail sales of goods are generally recognized when customers take possession of the merchandise, usually at the point of sale. Service fees are recognized as services are rendered. Grant revenues from funding agencies are recognized over the contract terms with the funding agencies.

Income Taxes

Goodwill is a not-for-profit corporation exempt from Federal income tax under 501(c)(3) of the Internal Revenue Code and is also exempt from similar state and local taxes. Accordingly, no provision has been made for income taxes in the accompanying consolidated financial statements.

Functional Expenses

Goodwill allocates certain operating expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated using various statistical bases.

Subsequent Events

In preparing the accompanying consolidated financial statements, management has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to September 30, 2009, the most recent consolidated statement of financial position presented herein, through December 23, 2009, the date these financial statements were available to be issued. No significant such events or transactions were identified.

Reclassifications

Certain amounts as reported in the 2008 financial statements have been reclassified to conform with the 2009 presentation.

2. SUPPLEMENTAL CASH FLOWS INFORMATION

Other Cash Flows Information

Cash paid for interest amounted to \$242,318 and \$175,363 during the years ended September 30, 2009 and 2008, respectively.

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. RELATED PARTY TRANSACTIONS

Goodwill established an agreement with GW Services of Northern Michigan, Inc. (“GWS”), a related party (by virtue of common management) to provide management services on behalf of GWS. These services include management of GWS employees and maintenance of financial records. In return for these services, Goodwill received management fees from GWS in the amount of \$37,000 during each of the years ended September 30, 2009 and 2008. These management fees are included in program service fees in the accompanying consolidated statements of activities.

4. INVESTMENT SECURITIES

Investment securities, all of which are mutual funds managed by Huntington National Bank, are presented in the financial statements at fair value and summarized as follows at September 30, 2009:

| | |
|--|---------------------------|
| Vanguard Total International Stock Fund | \$362,862 |
| Vanguard 500 Index Fund | 325,021 |
| Vanguard Small-Cap Index Fund | 233,656 |
| Vanguard Mid Cap Index Fund | 104,097 |
| Vanguard Short-Term Bond Index | 125,897 |
| Vanguard High Yield Corporate Fund | 126,479 |
| Vanguard Intermediate Term Investment Grade Fund | 104,258 |
| Vanguard Short Term Investment Grade Fund | <u>121,571</u> |
| Totals | <u>\$1,503,841</u> |

All of Goodwill’s investments are held in safekeeping through an outside financial manager. The financial manager is authorized to execute investment transactions to attempt to achieve the investment objectives established by Goodwill.

5. FAIR VALUE

Goodwill utilizes fair value measurements to record fair value adjustments to its investments and interest rate swap, and to determine fair value disclosures. These assets and liabilities are recorded at fair value on a recurring basis.

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Fair Value Hierarchy

Under ASC Topic 820-10, Goodwill groups assets and liabilities at fair value into three levels, based on the markets in which these assets are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange, U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets, and money market funds.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates that market participants would use in pricing the asset or liability.

Fair value measurement for Goodwill's investment securities are based upon quoted prices for identical instruments traded in active markets; accordingly, all such investments are considered Level 1. Management has estimated the fair values of the interest rate swap liability utilizing model based techniques or other types of valuation adjustment methodology (Level 3)

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The table below presents the recorded amount of assets and liabilities measured at fair value on a recurring basis.

| September 30, 2009 | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|-------------------------------------|-----------------------|-----------------------|-----------------------|
| Investment securities | | | |
| Mutual funds | \$ 1,503,841 | \$ - | \$ - |
| Interest rate swap liability | \$ - | \$ - | \$ 161,447 |

**GOODWILL INDUSTRIES OF NORTHERN MICHIGAN, INC.
AND SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table sets forth a summary of changes in the fair value of Goodwill's Level 3 interest rate swap liability for the year ended September 30, 2009:

| | |
|---|-------------------------|
| Balance, beginning of year | \$52,339 |
| Unrealized losses relating to changes in value relating to instruments still held at the reporting date | <u>109,108</u> |
| Balance, end of year | <u>\$161,447</u> |

6. ACCOUNTS RECEIVABLE

Accounts receivable are summarized as follows at September 30:

| | <u>2009</u> | <u>2008</u> |
|--|--------------------------|-------------------------|
| Grant awards | \$ 141,816 | \$ 85,373 |
| Program service fees and other sources | <u>197,254</u> | <u>282,497</u> |
| Total | 339,070 | 367,870 |
| Less allowance for doubtful accounts | <u>22,660</u> | <u>15,990</u> |
| Accounts receivable, net | <u>\$ 316,410</u> | <u>\$351,880</u> |

7. PLEDGES RECEIVABLE (INCLUDING RELATED PARTIES)

Pledges receivable are summarized as follows at September 30:

| | <u>2009</u> | <u>2008</u> |
|--|------------------------|-------------------------|
| Pledges receivable | \$ 13,195 | \$ 36,875 |
| Less allowance for uncollectible pledges | <u>4,000</u> | <u>14,254</u> |
| Total pledges receivable | 9,195 | 22,621 |
| Less present value discount | <u>1,795</u> | <u>1,795</u> |
| Pledges receivable, net | <u>\$ 7,400</u> | <u>\$ 20,826</u> |

Gross pledges receivable are expected to be collected as follows:

| | | |
|--------------------|-------------------------|-------------------------|
| Less than one year | \$ 10,945 | \$ 32,005 |
| One to five years | <u>2,250</u> | <u>4,870</u> |
| Total | <u>\$ 13,195</u> | <u>\$ 36,875</u> |

Pledges to be collected in more than a year have been discounted to present value using a discount rate of 3.77%.

**GOODWILL INDUSTRIES OF NORTHERN MICHIGAN, INC.
AND SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Included in the pledges receivable balances are amounts due from Goodwill board members in the amounts of \$3,895 and \$7,025 as of September 30, 2009 and 2008, respectively.

8. INVENTORIES

Inventories consist of the following amounts at September 30:

| | 2009 | 2008 |
|--------------------------|-------------------|-------------------|
| Donated goods | \$ 174,271 | \$ 134,349 |
| Other | 74,742 | 26,153 |
| Total inventories | \$ 249,013 | \$ 160,502 |

9. PROPERTY AND EQUIPMENT

Property and equipment consists of the following assets at September 30:

| | 2009 | 2008 |
|--|---------------------|---------------------|
| Land | \$ 1,155,589 | \$ 1,241,869 |
| Buildings and improvements | 6,870,594 | 6,828,503 |
| Machinery and equipment | 613,825 | 495,811 |
| Furniture and fixtures | 166,335 | 171,818 |
| Vehicles | 100,701 | 94,698 |
| Bond cost | 59,012 | 65,569 |
| Construction in progress and assets not yet placed in service | 26,342 | 128,414 |
| Total cost | 8,992,398 | 9,026,682 |
| Less accumulated depreciation | 1,387,500 | 1,209,511 |
| Property and equipment, net | \$ 7,604,898 | \$ 7,817,171 |

The estimated cost to complete construction in progress is not expected to be significant.

10. LINE-OF-CREDIT ARRANGEMENTS

At September 30, 2009, Goodwill had an unused \$125,000 line-of-credit which expires on January 30, 2010, requiring monthly interest payments at the lender's prime commercial rate (effective rate of 3.25% at September 30, 2009). Borrowings under this agreement are collateralized by real estate. This agreement is due on demand.

**GOODWILL INDUSTRIES OF NORTHERN MICHIGAN, INC.
AND SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. LONG-TERM DEBT AND INTEREST RATE SWAP

Long-term debt consists of the following obligations at September 30:

| | <u>2009</u> | <u>2008</u> |
|--|----------------------------|----------------------------|
| Bond issue through Michigan Strategic Fund, requiring semi-annual redemptions on April 1 and October 1 commencing April 1, 2008, with a stated interest rate of 3.85%; secured by a letter of credit; matures October 1, 2027. | \$2,535,000 | \$2,615,000 |
| Real estate mortgage payable to a bank, requiring monthly installments of \$3,326 including interest at 6.816%; secured by real estate; a balloon payment is due August 6, 2012. | 51,130 | 100,105 |
| Note payable to Grand Traverse County DPW, requiring monthly payments of \$403 with interest charged at 4%; matures December 2021. | \$ 59,667 | \$ 64,102 |
| Note payable to Grand Traverse County DPW, requiring monthly payments of \$200 with interest charged at 4%; matures December 2021. | <u>29,457</u> | <u>32,265</u> |
| Total long-term debt | 2,675,254 | 2,811,472 |
| Less current portion | <u>124,810</u> | <u>121,404</u> |
| Long-term debt, net of current portion | <u>\$ 2,550,444</u> | <u>\$ 2,690,068</u> |

Scheduled principal maturities of long-term debt for each of the five years succeeding September 30, 2009, and thereafter are summarized as follows:

| <u>Year</u> | <u>Amount</u> |
|--------------|----------------------------|
| 2010 | \$ 124,810 |
| 2011 | 110,806 |
| 2012 | 97,243 |
| 2013 | 107,243 |
| 2014 | 107,243 |
| Thereafter | <u>2,127,909</u> |
| Total | <u>\$ 2,675,254</u> |

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

On October 1, 2007, Goodwill entered into a 20 year forward-looking basis interest rate swap agreement for an original amount of \$2,000,000 (notional amount of \$1,913,208 at September 30, 2009). The intention of the swap was to effectively change the variable interest rate on Goodwill's books to a fixed rate. The effective date of the swap agreement is November 1, 2007; the stated maturity date is October 1, 2017.

The swap was issued at market terms so that it had no fair value at its inception. The carrying amount of the swap has been adjusted to its fair value at the end of the year which, because of changes in the forecasted levels of the prime interest rate, resulted in a liability for the fair value of the future net payments forecasted under the swap.

12. TEMPORARILY RESTRICTED AND BOARD DESIGNATED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of September 30:

| | <u>2009</u> | <u>2008</u> |
|--|--------------------------|-------------------------|
| Food rescue | \$ 76,787 | - |
| Housing first | 24,966 | 97,785 |
| Holiday needs | 15,000 | - |
| Cooler purchase | 19,500 | - |
| Contribution for 2010 operations | <u>5,000</u> | <u>-</u> |
| Total temporarily restricted net assets | <u>\$ 141,253</u> | <u>\$ 97,785</u> |

The Board of Directors has designated \$1,400,000 of unrestricted net assets for program expansion.

13. RETIREMENT PLAN

Goodwill maintains a deferred compensation plan qualified under Section 401(k) of the Internal Revenue Code covering all full time employees who have reached the age of 21 and have completed 90 days of service. Under this plan, eligible employees are permitted to contribute up to the maximum percentage allowable of their gross compensation into the retirement plan as determined by the Internal Revenue Code. During fiscal 2009 and 2008, Goodwill made a discretionary match at a rate of 75% of the employee's percentage deferral up to a maximum of 3%. Goodwill contributions amounted to \$62,501 and \$46,154 for the years ended September 30, 2009 and 2008, respectively.

14. LEASE COMMITMENTS

Goodwill leases a building from a corporation under an operating agreement that requires monthly rental payments of \$4,973 through February 2012. Commencing March of 2012, monthly rental payments increase by 3% to \$5,098 through February 2017.

Goodwill leases a building from a corporation under a 15 year lease which commenced October 1, 2008. This lease requires monthly payments of \$14,013 for the first five years, \$16,127 for the next 5 years and \$18,438 for the last five years.

**GOODWILL INDUSTRIES OF NORTHERN MICHIGAN, INC.
AND SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Goodwill entered into a 6 year truck lease which commenced on February 2, 2009 and expires on February 28, 2015. This lease requires monthly payments of \$1,247.

Total lease expenses amounted to \$279,779 and \$76,264 for the years ended September 30, 2009 and 2008, respectively.

As of September 30, 2009 future minimum lease payments required under the operating leases that have an initial or remaining non-cancellable lease term in excess of one year are summarized as follows:

| <u>Year</u> | <u>Amount</u> |
|--------------|---------------------------|
| 2010 | \$ 242,790 |
| 2011 | 242,790 |
| 2012 | 243,665 |
| 2013 | 244,290 |
| 2014 | 269,690 |
| Thereafter | <u>2,034,407</u> |
| Total | <u>\$3,277,602</u> |

* * * * *

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

December 23, 2009

Board of Directors
Goodwill Industries of Northern
Michigan, Inc. and Subsidiary
Traverse City, Michigan

Our report on our audits of the consolidated financial statements of the *Goodwill Industries of Northern Michigan, Inc. and Subsidiary* appears on page 1. Those audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplemental information as of and for the years ended September 30, 2009 and 2008 on pages 20 to 25 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in our audits of the consolidated financial statements and, accordingly, we express no opinion on it.

A handwritten signature in cursive script that reads "Lehmann Johnson".

| Inter-entity Eliminations | Consolidated Total |
|--------------------------------------|-------------------------------|
| \$ - | \$ 578,179 |
| - | 1,503,841 |
| (6,769) | 316,410 |
| - | 7,400 |
| - | 249,013 |
| - | 63,152 |
| (6,769) | 2,717,995 |
| - | 7,604,898 |
| \$ (6,769) | \$ 10,322,893 |
| | |
| \$ (6,769) | \$ 71,001 |
| - | 327,193 |
| - | 28,083 |
| - | 124,810 |
| (6,769) | 551,087 |
| - | 2,550,444 |
| - | 161,447 |
| (6,769) | 3,262,978 |
| | |
| - | 5,518,662 |
| - | 1,400,000 |
| - | 6,918,662 |
| - | 141,253 |
| - | 7,059,915 |
| \$ (6,769) | \$ 10,322,893 |

**GOODWILL INDUSTRIES OF NORTHERN MICHIGAN, INC.
AND SUBSIDIARY**

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2008

| | Goodwill Industries of Northern Michigan, Inc. | GW Homeless Services of Northern Michigan, Inc. | Consolidating Total |
|---|---|--|--------------------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 1,330,577 | \$ 15,580 | \$ 1,346,157 |
| Accounts receivable, net | 254,868 | 97,012 | 351,880 |
| Pledges receivable, net | - | 20,826 | 20,826 |
| Inventories | 160,502 | - | 160,502 |
| Prepaid expenses and other | 80,101 | 3,893 | 83,994 |
| Total current assets | 1,826,048 | 137,311 | 1,963,359 |
| Property and equipment, net | 3,426,918 | 4,390,253 | 7,817,171 |
| Total assets | \$ 5,252,966 | \$ 4,527,564 | \$ 9,780,530 |
| LIABILITIES AND NET ASSETS | | | |
| Current liabilities | | | |
| Accounts payable | \$ 105,537 | \$ 23,911 | \$ 129,448 |
| Accrued expenses | 285,869 | 21,858 | 307,727 |
| Deferred revenue | 97,785 | - | 97,785 |
| Current portion of long-term debt | 80,000 | 41,404 | 121,404 |
| Total current liabilities | 569,191 | 87,173 | 656,364 |
| Long-term debt, net of current portion | 2,535,000 | 155,068 | 2,690,068 |
| Interest rate swap | 52,339 | - | 52,339 |
| Total liabilities | 3,156,530 | 242,241 | 3,398,771 |
| Unrestricted net assets | | | |
| Undesignated net assets | 1,998,651 | 4,285,323 | 6,283,974 |
| Board designated net assets | - | - | - |
| Total unrestricted net assets | 1,998,651 | 4,285,323 | 6,283,974 |
| Temporarily restricted net assets | 97,785 | - | 97,785 |
| Total net assets | 2,096,436 | 4,285,323 | 6,381,759 |
| Total liabilities and net assets | \$ 5,252,966 | \$ 4,527,564 | \$ 9,780,530 |

| <u>Inter-entity Eliminations</u> | <u>Consolidating Total</u> |
|--------------------------------------|--------------------------------|
| \$ - | \$ 1,346,157 |
| - | 351,880 |
| - | 20,826 |
| - | 160,502 |
| - | 83,994 |
| - | 1,963,359 |
| - | 7,817,171 |
| \$ - | \$ 9,780,530 |
| | |
| \$ - | \$ 129,448 |
| - | 307,727 |
| - | 97,785 |
| - | 121,404 |
| - | 656,364 |
| - | 2,690,068 |
| - | 52,339 |
| - | 3,398,771 |
| - | 6,283,974 |
| - | - |
| - | 6,283,974 |
| - | 97,785 |
| - | 6,381,759 |
| \$ - | \$ 9,780,530 |

**GOODWILL INDUSTRIES OF NORTHERN MICHIGAN, INC.
AND SUBSIDIARY**

CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2009

| | Goodwill Industries of Northern Michigan, Inc. | GW Homeless Services of Northern Michigan, Inc. | Consolidating Total | Inter-entity Eliminations | Consolidated Total |
|--|---|--|--------------------------------|--------------------------------------|-------------------------------|
| Revenues and other support | | | | | |
| Retail sales - donated goods | \$ 5,581,275 | \$ - | \$ 5,581,275 | \$ - | \$ 5,581,275 |
| Program service fees | 606,438 | 221,172 | 827,610 | - | 827,610 |
| Fundraising | - | 42,029 | 42,029 | - | 42,029 |
| Grants | 518,033 | 97,878 | 615,911 | - | 615,911 |
| Contributions - donated goods | 1,812,413 | 85,749 | 1,898,162 | - | 1,898,162 |
| Contributions - other | 186,319 | 479,951 | 666,270 | (236,229) | 430,041 |
| Interest | 46,759 | 83 | 46,842 | - | 46,842 |
| Miscellaneous | 35,708 | 16,248 | 51,956 | - | 51,956 |
| Total revenues and other support | 8,786,945 | 943,110 | 9,730,055 | (236,229) | 9,493,826 |
| Operating expenses | | | | | |
| Program services | | | | | |
| Retail operations | 5,415,343 | - | 5,415,343 | - | 5,415,343 |
| Emergency shelter | - | - | - | (236,229) | (236,229) |
| Client services | 1,171,430 | - | 1,171,430 | - | 1,171,430 |
| Industrial operations | 30,682 | - | 30,682 | - | 30,682 |
| Food services | 153,346 | - | 153,346 | - | 153,346 |
| Emergency shelter | 293,206 | 991,352 | 1,284,558 | - | 1,284,558 |
| Total program services | 7,064,007 | 991,352 | 8,055,359 | (236,229) | 7,819,130 |
| Supporting services | | | | | |
| Management and general | 830,881 | 63,817 | 894,698 | - | 894,698 |
| Fundraising | 43,466 | - | 43,466 | - | 43,466 |
| Total supporting services | 874,347 | 63,817 | 938,164 | - | 938,164 |
| Total operating expenses | 7,938,354 | 1,055,169 | 8,993,523 | (236,229) | 8,757,294 |
| Revenues and other support in excess of (less than) | | | | | |
| operating expenses | 848,591 | (112,059) | 736,532 | - | 736,532 |
| Nonoperating activities | | | | | |
| Loss on sale of property and equipment | (1,006) | (12,810) | (13,816) | - | (13,816) |
| Net realized/unrealized gains on investment securities | 205,465 | - | 205,465 | - | 205,465 |
| Change in fair value of interest rate swap | (109,108) | - | (109,108) | - | (109,108) |
| Impairment loss on property and equipment | (140,917) | - | (140,917) | - | (140,917) |
| Increase (decrease) in net assets | 803,025 | (124,869) | 678,156 | - | 678,156 |
| Net assets, beginning of year | 2,096,436 | 4,285,323 | 6,381,759 | - | 6,381,759 |
| Net assets, end of year | \$ 2,899,461 | \$ 4,160,454 | \$ 7,679,695 | \$ - | \$ 7,059,915 |

**GOODWILL INDUSTRIES OF NORTHERN MICHIGAN, INC.
AND SUBSIDIARY**

CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2008

| | Goodwill Industries of Northern Michigan, Inc. | GW Homeless Services of Northern Michigan, Inc. | Consolidating Total | Inter-entity Eliminations | Consolidated Total |
|---|---|--|--------------------------------|--------------------------------------|-------------------------------|
| Revenues and other support | | | | | |
| Retail sales - donated goods | \$ 4,534,990 | \$ - | \$ 4,534,990 | \$ - | \$ 4,534,990 |
| Program service fees | 667,438 | 222,096 | 889,534 | - | 889,534 |
| Fundraising | - | 262,750 | 262,750 | - | 262,750 |
| Grants | 296,149 | 76,657 | 372,806 | - | 372,806 |
| Contributions - donated goods | 1,397,227 | 33,596 | 1,430,823 | - | 1,430,823 |
| Contributions - other | 12,688 | 537,932 | 550,620 | (367,678) | 182,942 |
| Interest | 25,550 | 748 | 26,298 | - | 26,298 |
| Miscellaneous | 39,749 | 20,701 | 60,450 | - | 60,450 |
| Total revenues and other support | 6,973,791 | 1,154,480 | 8,128,271 | (367,678) | 7,760,593 |
| Operating expenses | | | | | |
| Program services | | | | | |
| Retail operations | 4,072,083 | - | 4,072,083 | - | 4,072,083 |
| Emergency shelter | - | - | - | - | - |
| Client services | 1,067,651 | - | 1,067,651 | - | 1,067,651 |
| Industrial operations | 45,712 | - | 45,712 | - | 45,712 |
| Food services | 144,523 | - | 144,523 | - | 144,523 |
| Emergency shelter | 367,678 | 997,303 | 1,364,981 | (367,678) | 997,303 |
| Total program services | 5,697,647 | 997,303 | 6,694,950 | (367,678) | 6,327,272 |
| Supporting services | | | | | |
| Management and general | 816,189 | 67,500 | 883,689 | - | 883,689 |
| Fundraising | - | 26,472 | 26,472 | - | 26,472 |
| Total supporting services | 816,189 | 93,972 | 910,161 | - | 910,161 |
| Total operating expenses | 6,513,836 | 1,091,275 | 7,605,111 | (367,678) | 7,237,433 |
| Revenues and other support in excess of operating expenses | 459,955 | 63,205 | 523,160 | - | 523,160 |
| Nonoperating activities | | | | | |
| Loss on sale of property and equipment | (27,365) | (885) | (28,250) | - | (28,250) |
| Change in fair value of interest rate swap | (4,410) | - | (4,410) | - | (4,410) |
| Increase in net assets | 428,180 | 62,320 | 490,500 | - | 490,500 |
| Net assets, beginning of year | 1,668,256 | 4,223,003 | 5,891,259 | - | 5,891,259 |
| Net assets, end of year | \$ 2,096,436 | \$ 4,285,323 | \$ 6,381,759 | \$ - | \$ 6,381,759 |

**GOODWILL INDUSTRIES OF NORTHERN MICHIGAN, INC.
AND SUBSIDIARY**

CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2009

| Program Services | | | | | |
|---|------------------------------|----------------------------|------------------|--------------------------|-----------------------------|
| Goodwill Industries of Northern Michigan, Inc. | | | | | |
| | Retail Operations | Client Services | Recycling | Food Services | Homeless Shelter |
| Salaries | \$ 1,631,912 | \$ 619,227 | \$ 13,628 | \$ 133,754 | \$ - |
| Payroll taxes | 154,278 | 64,847 | 333 | 13,221 | - |
| Employee benefits | 178,877 | 69,705 | 834 | 20,518 | - |
| Total salaries and related benefits | 1,965,067 | 753,779 | 14,795 | 167,493 | - |
| Cost of goods sold | 2,075,287 | - | - | - | - |
| Rent and lease expense | 279,779 | - | - | - | - |
| Interest | 110,644 | 11,613 | 3,156 | - | - |
| Depreciation | 123,889 | 16,583 | 2,328 | 26 | - |
| Supplies and purchases | 75,318 | 66,298 | 3,429 | 25,621 | - |
| Utilities | 113,221 | 8,961 | 1,523 | - | - |
| Bad debts | 1,825 | 21,765 | - | - | - |
| Direct client assistance | - | 159,170 | - | - | - |
| Advertising | 149,775 | 28,466 | 1,875 | 1,226 | - |
| Insurance | 46,501 | 8,556 | 747 | 2,292 | - |
| GII Dues | 55,221 | 6,290 | 392 | 1,610 | - |
| Garbage | 77,940 | 110 | 1,227 | 1,016 | - |
| Repairs and maintenance | 88,811 | 4,985 | 806 | 4,061 | - |
| Telephone and cable | 13,483 | 8,105 | 53 | 866 | - |
| Vehicle | 39,619 | 9,883 | - | 113 | 56,977 |
| Professional fees | 28,560 | (11,985) | 136 | 665 | - |
| Miscellaneous | 2,585 | 16,833 | 131 | (52,229) | - |
| Travel | 4,760 | 6,345 | - | - | - |
| Conventions and meetings | 329 | 801 | - | - | - |
| Administrative | - | - | - | - | 236,229 |
| Office supplies | 10,994 | 10,497 | 25 | 303 | - |
| Postage | 53,532 | 1,184 | 3 | 51 | - |
| Annual bond financing | 17,859 | 2,492 | - | - | - |
| Grant match | - | 39,000 | - | - | - |
| Service charges | 80,344 | 1,699 | 56 | 232 | - |
| Total functional expenses | \$ 5,415,343 | \$ 1,171,430 | \$ 30,682 | \$ 153,346 | \$ 293,206 |

| | | | Supporting Services | | | |
|---|---------------------------|------------------------|--|---|------------------------------|--|
| GW Homeless Services of Northern Michigan, Inc. | | | Goodwill Industries of Northern Michigan, Inc. | GW Homeless Services of Northern Michigan, Inc. | | Goodwill Industries of Northern Michigan, Inc. |
| Homeless Shelter | Inter-entity Eliminations | Total Homeless Shelter | Management and General | Management and General | Total Management and General | Fundraising |
| \$ 351,879 | \$ - | \$ 351,879 | \$ 572,233 | \$ - | \$ 572,233 | \$ - |
| 35,185 | - | 35,185 | 70,558 | - | 70,558 | - |
| 44,950 | - | 44,950 | 74,429 | - | 74,429 | - |
| 432,014 | - | 432,014 | 717,220 | - | 717,220 | |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 8,616 | - | 8,616 | 10,775 | - | 10,775 | - |
| 146,963 | - | 146,963 | 11,081 | - | 11,081 | - |
| 94,648 | - | 94,648 | 7,761 | - | 7,761 | - |
| 48,236 | - | 48,236 | 7,866 | - | 7,866 | - |
| - | - | - | - | 6,246 | 6,246 | - |
| 162,014 | - | 162,014 | - | - | - | - |
| 15,097 | - | 15,097 | 3,904 | - | 3,904 | 22,282 |
| 11,352 | - | 11,352 | 6,094 | - | 6,094 | - |
| 2,313 | - | 2,313 | 1,806 | - | 1,806 | - |
| 3,252 | - | 3,252 | 458 | - | 458 | - |
| 33,191 | - | 33,191 | 12,825 | - | 12,825 | - |
| 11,623 | - | 11,623 | 4,073 | - | 4,073 | - |
| - | - | 56,977 | 1,720 | - | 1,720 | - |
| 8,840 | - | 8,840 | 24,232 | - | 24,232 | - |
| (1,499) | - | (1,499) | (9,606) | - | (9,606) | 21,184 |
| 1,147 | - | 1,147 | 7,305 | - | 7,305 | - |
| 715 | - | 715 | 3,182 | - | 3,182 | - |
| - | (236,229) | - | - | 56,467 | 56,467 | - |
| 10,975 | - | 10,975 | 6,762 | 494 | 7,256 | - |
| 1,386 | - | 1,386 | 2,662 | 20 | 2,682 | - |
| - | - | - | 3,536 | - | 3,536 | - |
| - | - | - | - | - | - | - |
| 469 | - | 469 | 7,225 | 590 | 7,815 | - |
| \$ 991,352 | \$ (236,229) | \$ 1,048,329 | \$ 830,881 | \$ 63,817 | \$ 894,698 | \$ 43,466 |

**GOODWILL INDUSTRIES OF NORTHERN MICHIGAN, INC.
AND SUBSIDIARY**

CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2008

Program Services

| | Goodwill Industries of Northern Michigan, Inc. | | | | |
|--|---|----------------------------|------------------|--------------------------|-----------------------------|
| | Retail Operations | Client Services | Recycling | Food Services | Homeless Shelter |
| Salaries | \$ 1,328,034 | \$ 612,785 | \$ 21,452 | \$ 122,375 | \$ - |
| Payroll taxes | 105,678 | 50,276 | 1,284 | 9,862 | - |
| Employee benefits | 134,945 | 61,538 | 1,481 | 18,401 | - |
| Total salaries and related benefits | 1,568,657 | 724,599 | 24,217 | 150,638 | - |
| Cost of goods sold | 1,527,324 | - | - | - | - |
| Rent and lease expense | 74,872 | 1,392 | - | - | - |
| Interest | 83,451 | 1,747 | 6,736 | - | - |
| Depreciation | 106,220 | 10,108 | 6,414 | 26 | - |
| Supplies and purchases | 69,648 | 81,315 | 1,556 | 27,650 | - |
| Utilities | 97,782 | 5,393 | 3,982 | 387 | - |
| Bad debts | 891 | - | - | - | - |
| Direct client assistance | - | 137,707 | - | - | - |
| Advertising | 105,561 | 10,274 | 8,631 | 1,125 | - |
| Insurance | 42,655 | 4,432 | 2,230 | 458 | - |
| GII Dues | 46,151 | 5,565 | 633 | 1,215 | - |
| Garbage | 79,603 | 974 | 450 | 1,100 | - |
| Repairs and maintenance | 64,231 | 3,651 | 2,295 | 1,899 | - |
| Telephone and cable | 9,381 | 8,135 | 149 | 232 | - |
| Vehicle | 34,901 | 9,748 | - | 921 | - |
| Professional fees | 23,107 | (10,759) | 304 | 699 | - |
| Miscellaneous | 6,643 | 4,478 | (12,194) | (42,235) | - |
| Travel | 5,112 | 4,562 | - | - | - |
| Conventions and meetings | 358 | 715 | - | - | - |
| Administrative | - | - | - | - | - |
| Office supplies | 16,038 | 6,492 | 154 | 193 | 367,678 |
| Postage | 35,693 | 840 | 14 | 18 | - |
| Annual bond financing | 17,979 | 1,984 | - | - | - |
| Grant Match | - | 53,118 | - | - | - |
| Service charges | 55,825 | 1,181 | 141 | 197 | - |
| Total functional expenses | \$ 4,072,083 | \$ 1,067,651 | \$ 45,712 | \$ 144,523 | \$ 367,678 |

| | | | Supporting Services | | | |
|--|----------------------------------|-------------------------------|---|--|-------------------------------------|--|
| GW Homeless Services of Northern Michigan, Inc. | | | Goodwill Industries of Northern Michigan, Inc. | GW Homeless Services of Northern Michigan, Inc. | | GW Homeless Services of Northern Michigan, Inc. |
| Homeless Shelter | Inter-entity Eliminations | Total Homeless Shelter | Management and General | Managemet and General | Total Management and General | Fundraising |
| \$ 340,391 | \$ - | \$ 340,391 | \$ 508,222 | \$ - | \$ 508,222 | \$ - |
| 26,690 | - | 26,690 | 51,854 | - | 51,854 | - |
| 45,652 | - | 45,652 | 60,626 | - | 60,626 | - |
| 412,733 | - | 412,733 | 620,702 | - | 620,702 | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 20,942 | - | 20,942 | 58,077 | - | 58,077 | - |
| 143,771 | - | 143,771 | 21,256 | - | 21,256 | - |
| 47,857 | - | 47,857 | 2,969 | - | 2,969 | 6,616 |
| 47,284 | - | 47,284 | 9,388 | - | 9,388 | - |
| - | - | - | 91 | - | 91 | 6,306 |
| 169,179 | - | 169,179 | - | - | - | - |
| 30,221 | - | 30,221 | 1,275 | - | 1,275 | 7,256 |
| 12,595 | - | 12,595 | 8,796 | - | 8,796 | - |
| 1,663 | - | 1,663 | 756 | - | 756 | - |
| 3,323 | - | 3,323 | 1,875 | - | 1,875 | - |
| 33,072 | - | 33,072 | 14,861 | - | 14,861 | 2,869 |
| 12,724 | - | 12,724 | 4,601 | - | 4,601 | - |
| - | - | - | 749 | - | 749 | - |
| 36,616 | - | 36,616 | 32,836 | - | 32,836 | - |
| 15,381 | - | 15,381 | 8,135 | - | 8,135 | 1,106 |
| 2,483 | - | 2,483 | 14,243 | - | 14,243 | - |
| 113 | - | 113 | 2,791 | - | 2,791 | 523 |
| - | - | - | - | 67,500 | 67,500 | - |
| 4,929 | (367,678) | 4,929 | 5,896 | - | 5,896 | 69 |
| 1,994 | - | 1,994 | 1,820 | - | 1,820 | 555 |
| - | - | - | 4,639 | - | 4,639 | - |
| - | - | - | - | - | - | - |
| 423 | - | 423 | 433 | - | 433 | 1,172 |
| \$ 997,303 | \$ (367,678) | \$ 997,303 | \$ 816,189 | \$ 67,500 | \$ 883,689 | \$ 26,472 |