

# **Goodwill Industries of Northern Michigan, Inc. and Affiliates**

---

**Consolidated Financial Report  
with Additional Information  
September 30, 2015**

# **Goodwill Industries of Northern Michigan, Inc. and Affiliates**

---

## **Contents**

<b>Report Letter</b>	1-2
<b>Consolidated Financial Statements</b>	
Balance Sheet	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5-6
Statement of Cash Flows	7
Notes to Consolidated Financial Statements	8-22
<b>Additional Information</b>	23
<b>Report Letter</b>	24
Consolidating Balance Sheet	25-26
Consolidating Statement of Activities and Changes in Net Assets	27

## Independent Auditor's Report

To the Board of Directors  
Goodwill Industries of Northern  
Michigan, Inc. and Affiliates

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Goodwill Industries of Northern Michigan, Inc. and Affiliates (Goodwill or the "Organization"), which comprise the consolidated balance sheet as of September 30, 2015 and 2014 and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

#### ***Management's Responsibility for the Consolidated Financial Statements***

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

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Carson Square Limited Dividend Housing Association Limited Partnership, a consolidated variable interest entity, which statements reflect total assets constituting 10 percent of consolidated total assets at September 30, 2015. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Carson Square Limited Dividend Housing Association Limited Partnership, is based solely on the report of the other auditors. 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Carson Square Limited Dividend Housing Association Limited Partnership was not audited under *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

To the Board of Directors  
Goodwill Industries of Northern  
Michigan, Inc. and Affiliates

**Opinion**

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Goodwill Industries of Northern Michigan, Inc. and Affiliates as of September 30, 2015 and 2014 and the changes in their net assets, functional expenses, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2016 on our consideration of Goodwill Industries of Northern Michigan, Inc. and Affiliates' internal control over financial reporting and on 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 Northern Michigan, Inc. and Affiliates' internal control over financial reporting and compliance.

*Plante & Moran, PLLC*

February 9, 2016

# Goodwill Industries of Northern Michigan, Inc. and Affiliates

## Consolidated Balance Sheet

	September 30, 2015	September 30, 2014
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 459,757	\$ 459,373
Receivables - Net (Note 2)	259,458	222,458
Investments (Note 3)	994,870	1,850,421
Inventory (Note 4)	664,617	462,821
Prepaid expenses and other current assets	146,854	130,891
Total current assets	2,525,556	3,125,964
<b>Property and Equipment - Net (Note 5)</b>	16,821,527	12,537,675
<b>Other Assets</b>	44,282	46,841
Total assets	<b>\$ 19,391,365</b>	<b>\$ 15,710,480</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 301,038	\$ 236,307
Accounts payable - Carson Square (Note 6)	928,044	-
Current portion of long-term debt (Note 7)	537,024	373,005
Accrued liabilities and other	773,932	606,870
Total current liabilities	2,540,038	1,216,182
<b>Capital Lease Obligation (Note 7)</b>	135,778	169,018
<b>Long-term Notes Payable - Net of current portion (Note 7)</b>	6,066,480	4,160,069
<b>Interest Rate Swap (Notes 3 and 7)</b>	105,027	137,125
Total liabilities	8,847,323	5,682,394
<b>Net Assets - Unrestricted</b>		
Undesignated	8,994,042	8,628,086
Board designated	1,400,000	1,400,000
Noncontrolling interest - Carson Square Limited Dividend Housing Association, Limited Partnership	150,000	-
Total net assets	10,544,042	10,028,086
Total liabilities and net assets	<b>\$ 19,391,365</b>	<b>\$ 15,710,480</b>

# Goodwill Industries of Northern Michigan, Inc. and Affiliates

## Consolidated Statement of Activities and Changes in Net Assets

	Year Ended	
	September 30, 2015	September 30, 2014
<b>Changes in Unrestricted Net Assets</b>		
Revenue and support:		
Retail sales	\$ 8,995,599	\$ 8,390,449
Contributions - Donated inventory	3,666,119	3,091,392
Grants	1,107,823	678,171
Program service fees	1,385,162	1,035,899
Contributions - Other	368,459	412,916
Investment income	49,020	51,796
Miscellaneous income	189,775	150,823
Total revenue and support	15,761,957	13,811,446
Expenses:		
Program services:		
Retail operations	10,243,691	8,776,754
Housing services	1,929,097	1,810,066
Food services	1,366,006	1,653,037
Jobs services	469,582	381,765
Total program services	14,008,376	12,621,622
Support services:		
Management and general	1,198,350	1,051,035
Fundraising	202,889	174,487
Total support services	1,401,239	1,225,522
Total expenses	15,409,615	13,847,144
<b>Increase (Decrease) in Unrestricted Net Assets - Operating</b>	352,342	(35,698)
<b>Nonoperating Activities</b>		
Net gain (loss) from sales of property and equipment	291	(8,035)
Net realized/unrealized (loss) gain on investment securities	(18,775)	97,944
Change in fair value of interest rate swap	32,098	49,148
Capital contribution	150,000	-
Total nonoperating activities	163,614	139,057
<b>Increase in Unrestricted Net Assets</b>	515,956	103,359
<b>Net Assets - Beginning of year</b>	10,028,086	9,924,727
<b>Net Assets - End of year</b>	<b>\$ 10,544,042</b>	<b>\$ 10,028,086</b>

## Goodwill Industries of Northern Michigan, Inc. and Affiliates

### Consolidated Statement of Functional Expenses Year Ended September 30, 2015

	Program Services					Support Services			Total Expenses
	Retail Operations	Housing	Jobs	Food	Total	Management and General	Fundraising	Total	
Salaries and wages	\$ 2,783,072	\$ 829,359	\$ 296,238	\$ 451,052	\$ 4,359,721	\$ 614,893	\$ 118,869	\$ 733,762	\$ 5,093,483
Payroll taxes	266,741	75,212	25,657	42,810	410,420	79,277	12,065	91,342	501,762
Employee benefits	417,260	166,239	13,765	101,274	698,538	124,031	9,990	134,021	832,559
Total salaries and related benefits	3,467,073	1,070,810	335,660	595,136	5,468,679	818,201	140,924	959,125	6,427,804
Cost of goods sold	4,022,561	-	-	-	4,022,561	-	-	-	4,022,561
Rent and lease expense	497,394	-	-	-	497,394	741	-	741	498,135
Interest	180,694	18,792	1,683	799	201,968	14,117	-	14,117	216,085
Depreciation and amortization	367,166	188,613	2,815	78,426	637,020	42,208	-	42,208	679,228
Supplies and purchases	270,142	43,834	53,483	604,659	972,118	20,532	2,003	22,535	994,653
Utilities	178,785	79,110	1,383	658	259,936	25,133	-	25,133	285,069
Developer fee - Carson Square	-	149,000	-	-	149,000	-	-	-	149,000
Bad debts	1,482	59	-	331	1,872	283	-	283	2,155
Direct client assistance	-	205,777	3,601	-	209,378	273	-	273	209,651
Advertising (.310)	121,076	8,208	9,907	21,999	161,190	5,999	110	6,109	167,299
Insurance	40,463	25,627	1,416	7,271	74,777	15,912	-	15,912	90,689
GII dues	79,410	9,653	1,358	7,320	97,741	850	-	850	98,591
Garbage (.300)	78,206	6,305	562	280	85,353	1,848	-	1,848	87,201
Repairs and maintenance	223,539	60,766	4,166	19,257	307,728	51,129	604	51,733	359,461
Telephone and cable	45,852	25,819	3,684	4,553	79,908	11,776	1,140	12,916	92,824
Vehicle	58,871	4,923	1,467	28,405	93,666	10,186	-	10,186	103,852
Professional fees	52,035	33,516	10,556	47,049	143,156	70,871	-	70,871	214,027
Miscellaneous	58,727	(36,769)	26,512	(58,727)	(10,257)	76,804	51,122	127,926	117,669
Travel (.320)	19,907	10,958	7,994	3,275	42,134	8,501	3,775	12,276	54,410
Conventions and meetings	991	544	857	17	2,409	3,487	2,390	5,877	8,286
Office supplies (.290)	37,079	20,190	1,199	1,283	59,751	2,028	-	2,028	61,779
Postage	204,314	1,904	234	679	207,131	2,522	821	3,343	210,474
Annual bond financing	13,686	-	617	292	14,595	5,148	-	5,148	19,743
Service charges	224,238	1,458	428	3,044	229,168	9,801	-	9,801	238,969
Total functional expenses	<b>\$ 10,243,691</b>	<b>\$ 1,929,097</b>	<b>\$ 469,582</b>	<b>\$ 1,366,006</b>	<b>\$ 14,008,376</b>	<b>\$ 1,198,350</b>	<b>\$ 202,889</b>	<b>\$ 1,401,239</b>	<b>\$ 15,409,615</b>

## Goodwill Industries of Northern Michigan, Inc. and Affiliates

### Consolidated Statement of Functional Expenses Year Ended September 30, 2014

	Program Services					Support Services			Total Expenses
	Retail Operations	Housing	Jobs	Food	Total	Management and General	Fundraising	Total	
Salaries and wages	\$ 2,427,827	\$ 880,254	\$ 202,192	\$ 579,736	\$ 4,090,009	\$ 597,447	\$ 117,322	\$ 714,769	\$ 4,804,778
Payroll taxes	214,778	76,152	15,045	54,197	360,172	76,221	11,036	87,257	447,429
Employee benefits	366,485	187,830	17,371	72,375	644,061	107,635	9,998	117,633	761,694
Total salaries and related benefits	3,009,090	1,144,236	234,608	706,308	5,094,242	781,303	138,356	919,659	6,013,901
Cost of goods sold	3,396,484	-	-	-	3,396,484	-	-	-	3,396,484
Rent and lease expense	473,787	-	-	33	473,820	936	-	936	474,756
Interest	152,951	23,880	234	9,573	186,638	11,250	-	11,250	197,888
Depreciation and amortization	298,451	197,556	1,217	96,957	594,181	15,816	-	15,816	609,997
Supplies and purchases	170,696	17,418	42,647	710,434	941,195	11,228	3,352	14,580	955,775
Utilities	133,517	77,905	155	18,681	230,258	7,459	-	7,459	237,717
Bad debts	(134)	13,418	-	18,184	31,468	-	-	-	31,468
Direct client assistance	-	177,672	1,341	16,625	195,638	-	-	-	195,638
Advertising	145,358	23,462	12,796	21,620	203,236	1,917	396	2,313	205,549
Insurance	40,186	17,443	1,066	6,842	65,537	8,065	-	8,065	73,602
GII dues	74,574	8,626	1,203	6,741	91,144	437	-	437	91,581
Garbage	75,882	5,270	240	2,076	83,468	1,200	-	1,200	84,668
Repairs and maintenance	222,753	61,656	2,209	25,034	311,652	25,340	1,534	26,874	338,526
Telephone and cable	34,196	25,416	2,373	8,697	70,682	5,839	1,226	7,065	77,747
Vehicle	58,882	3,666	674	30,671	93,893	10,324	-	10,324	104,217
Professional fees	50,609	28,255	60,819	21,923	161,606	28,115	86	28,201	189,807
Miscellaneous	3,575	(41,954)	13,079	(69,745)	(95,045)	102,013	24,727	126,740	31,695
Travel	15,461	12,588	5,658	5,678	39,385	10,931	1,381	12,312	51,697
Conventions and meetings	1,487	679	195	149	2,510	8,203	3,196	11,399	13,909
Office supplies	21,161	10,546	745	3,711	36,163	4,007	-	4,007	40,170
Postage	182,336	834	173	6,520	189,863	2,612	233	2,845	192,708
Annual bond financing	15,901	88	61	1,730	17,780	2,904	-	2,904	20,684
Service charges	199,551	1,406	272	4,595	205,824	11,136	-	11,136	216,960
Total functional expenses	<b>\$ 8,776,754</b>	<b>\$ 1,810,066</b>	<b>\$ 381,765</b>	<b>\$ 1,653,037</b>	<b>\$ 12,621,622</b>	<b>\$ 1,051,035</b>	<b>\$ 174,487</b>	<b>\$ 1,225,522</b>	<b>\$ 13,847,144</b>



# Goodwill Industries of Northern Michigan, Inc. and Affiliates

## Consolidated Statement of Cash Flows

	Year Ended	
	September 30, 2015	September 30, 2014
<b>Cash Flows from Operating Activities</b>		
Increase in net assets	\$ 515,956	\$ 103,359
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation and amortization	675,390	606,234
(Gain) loss from sales of property and equipment	(291)	8,035
Bad debt expense	2,155	31,468
Amortization of debt costs	3,838	3,763
Net realized/unrealized loss (gain) on investment securities	18,775	(97,944)
Capital contribution	(150,000)	-
Change in fair value of interest rate swap	(32,098)	(49,148)
Changes in operating assets and liabilities which (used) provided cash:		
Receivables	(39,155)	22,263
Inventory	(201,796)	151,605
Prepaid expenses and other	(17,242)	(6,127)
Accounts payable	27,731	57,503
Accrued liabilities and other	167,062	15,837
Net cash provided by operating activities	970,325	846,848
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(4,008,178)	(787,180)
Proceeds from disposition of property and equipment	14,271	14,572
Proceeds from sales and maturities of investments	836,776	178,189
Net cash used in investing activities	(3,157,131)	(594,419)
<b>Cash Flows from Financing Activities</b>		
Proceeds from debt	2,526,983	-
Payments on debt	(489,793)	(354,516)
Capital contribution	150,000	-
Net cash provided by (used in) financing activities	2,187,190	(354,516)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	384	(102,087)
<b>Cash and Cash Equivalents - Beginning of year</b>	459,373	561,460
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 459,757</u>	<u>\$ 459,373</u>
<b>Supplemental Disclosure of Cash Flow Information - Cash paid for interest</b>	<u>\$ 219,028</u>	<u>\$ 198,221</u>

# Goodwill Industries of Northern Michigan, Inc. and Affiliates

---

## Notes to Consolidated Financial Statements September 30, 2015 and 2014

### Note 1 - Nature of Activities and Significant Accounting Policies

**Nature of Organization** - Goodwill's mission is to strengthen communities by enhancing the dignity and quality of life for people in need by overcoming barriers to opportunities through learning and the power of work.

Goodwill serves the northern Michigan region through the following:

**Retail Operations** - Goodwill utilizes its nine retail stores and e-commerce operations to provide 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.

**Housing** - Goodwill helps rebuild the lives of families, children, and adults who have lost their homes. This includes people who are living in their cars, under bridges, or in trailers without heat or running water. The programs offered are as follows:

- The Street Outreach Program assists adults who are living on the streets get referrals to community programs and services.
- The Goodwill Inn provides safe, supportive shelter to adults and families who are experiencing homelessness.
- The Transitional Housing Program is offered at the Goodwill Inn to provide a safe, affordable intermediary place to stay for guests who are working toward their independence.
- Patriot Place is a veteran's transitional housing community for veterans who are experiencing homelessness.
- The Housing Support Services Program provides community-based case management services to formerly homeless people with special needs to increase independence and self-sufficiency.

**Jobs** - Goodwill transforms lives through the power of work. Job seekers work one-on-one with Goodwill career coaches to determine their short- and long-term career goals. A plan is then established for achieving those goals, which may include hands-on training, employment preparation (such as resume building and interview coaching), job placement, and job retention skills. Goodwill's job training programs include retail and customer service, food service, and commercial cleaning.

# Goodwill Industries of Northern Michigan, Inc. and Affiliates

## Notes to Consolidated Financial Statements September 30, 2015 and 2014

### Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

**Food** - Goodwill works hard to ensure that insecure families are provided with the nutritional resources needed to perform to their fullest capacity. Hot meals, produced daily by Goodwill employees and job trainees, feed guests of the Goodwill Inn, Meals on Wheels for seniors, and individuals undergoing treatment at Addiction Treatment Services. Goodwill's Food Rescue program picks up soon-to-expire healthy food products from local grocery stores, restaurants, caterers, bakeries, etc. and distributes them to local food pantries. In the past year, 1.3 million pounds of food that otherwise would have been sent to landfills were "rescued" through this program. Through its Farm to Freezer program, Goodwill partners with local farmers to bring their produce to the public. This produce is flash frozen to preserve the nutrients and flavor of each product, allowing consumers to enjoy local fruits and vegetables any time of year.

**Basis of Presentation** - The accompanying consolidated financial statements include the financial statements of Goodwill Industries of Northern Michigan, Inc. (GWI), its wholly owned subsidiaries, Carson Square, LLC and Carson Square Goodwill, LLC, and G.W. Homeless Services of Northern Michigan, Inc. (GWH), an entity under common control. Carson Square Limited Dividend Housing Association Limited Partnership (Carson Square LDHALP), a variable interest entity (VIE) for which Carson Square, LLC is the primary beneficiary, has been consolidated by Carson Square, LLC and, accordingly, the assets and liabilities of Carson Square LDHALP have been included in the accompanying consolidated financial statements. Carson Square, LLC is the primary beneficiary due to having the ability and power to direct the activities of Carson Square LDHALP and the obligation to absorb the losses/benefits. The VIE had assets of \$1,904,027 and liabilities of \$1,700,027 at September 30, 2015. The VIE had no revenue or expense for the year ended September 30, 2015. In addition, GWI has guaranteed the debt and obligations of the general partners of Carson Square LDHALP.

In 2015, Carson Square, LLC and Carson Square Goodwill, LLC were formed. Carson Square, LLC is a general partner of Carson Square LDHALP. Carson Square Goodwill, LLC was organized as the construction development manager to oversee the development of the Carson Square apartment complex for a development fee. Carson Square, LLC and Carson Square Goodwill, LLC operate on a calendar-year basis and GWI is the sole member of both entities.

# Goodwill Industries of Northern Michigan, Inc. and Affiliates

## Notes to Consolidated Financial Statements September 30, 2015 and 2014

### Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Carson Square LDHALP is organized as a limited partnership and was formed in 2015 to acquire an interest in real property located in Traverse City, Michigan and to construct and operate thereon an apartment complex (the "Project"). Carson Square LDHALP operates on a calendar-year basis. Carson Square LDHALP entered into a rental assistance agreement contract with the Michigan State Housing Development Authority (MSHDA) and the project units will be regulated as to rent charges and distributions to partners.

The Project has qualified for low-income housing tax credits pursuant to Internal Revenue Code Section 42 (Section 42), which regulates the use of the Project as to occupant eligibility and unit gross rent, among other requirements. The formal allocation of the tax credits will occur upon placing the apartment complex in service, at which point the Project must meet the provisions of these regulations during each of 15 consecutive years in order to remain qualified to receive the tax credits. Failure to comply with occupant eligibility and/or gross rent, or to correct noncompliance within a specified time period, could result in recapture of previously taken low-income housing tax credits plus interest. Such potential noncompliance may require an adjustment to the contributed capital by the limited partner. In addition, the Organization has executed an extended use regulatory agreement and declaration of restrictive covenants, which requires the utilization of the Project pursuant to Section 42 for a minimum of 30 years, even if disposition of the Project by the Organization occurs.

Profits and losses from operations of the subsidiary LLCs are allocated annually between the members in accordance with the terms of the operating agreement. Gains and losses from sale, exchange, or other disposition of property shall be allocated in accordance with the operating agreements.

Carson Square LDHALP's profit and loss are to be allocated as listed below, other than special allocations (as defined by the partnership agreement) and certain other items which would be specifically allocated to the partners in accordance with the partnership agreement. At September 30, 2015, Carson Square LDHALP did not produce any income or loss.

	<u>Profit</u>	<u>Loss</u>
General partners:		
Carson Square, LLC (managing member)	0.007 %	0.007 %
T J Acquisitions LLC	0.003	0.003
Limited partner - Great Lakes Capital Fund for Housing Limited Partnership 29	74.99	74.99
Limited partner - Great Lakes Capital Fund Michigan Community Limited Partnership XX-3	25.00	25.00

# Goodwill Industries of Northern Michigan, Inc. and Affiliates

## Notes to Consolidated Financial Statements September 30, 2015 and 2014

### Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

**Principles of Consolidation** - All significant intercompany transactions have been eliminated upon consolidation. The effect of intercompany eliminations between the VIE and the primary beneficiary are attributed to the primary beneficiary.

**Affiliation with Goodwill Industries International, Inc.** - Goodwill is a member of Goodwill Industries International, Inc. (GII). Members are required to remit 1 percent of earned unrestricted revenue to GII. Dues paid to GII totaled \$97,735 and \$90,323 for the years ended September 30, 2015 and 2014, respectively.

**Classification of Net Assets** - Net assets of Goodwill are classified as unrestricted, temporarily restricted, or permanently restricted depending on the presence and characteristics of donor-imposed restrictions limiting Goodwill's ability to use or dispose of contributed assets or the economic benefits embodied in those assets. As of September 30, 2015 and 2014, all net assets were classified as unrestricted. The board of directors has designated \$1,400,000 of net assets for program expansion as of September 30, 2015 and 2014.

**Cash and Cash Equivalents** - Goodwill considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. Goodwill maintains deposit and savings accounts in various financial institutions in Michigan which, at times, may exceed the federal insurance limits. Management believes interest rate or other financial risk associated with these deposits is not significant.

**Receivables** - Accounts receivable are stated at invoice amounts 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 receivables. Charges to the valuation allowance have typically not been significant to the consolidated financial statements.

**Investments** - Investments are recorded at fair value based on quoted market prices. Gains and losses on investments are reported in the consolidated statement of activities and changes in net assets as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law.

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated balance sheet.

# Goodwill Industries of Northern Michigan, Inc. and Affiliates

## Notes to Consolidated Financial Statements September 30, 2015 and 2014

### Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

**Inventory** - Inventory consists of contributed goods, which are recorded at their estimated fair value as described in the contributions section of this note.

Inventory also includes other supplies that are stated at the lower of cost, on a first-in, first-out basis (FIFO), or market.

**Property and Equipment** - Property and equipment purchases, if greater than \$1,000, are recorded at cost when purchased or at fair value at the date of donation and are being depreciated on a straight-line basis over their estimated useful lives. Costs of maintenance and repairs are charged to expense when incurred.

Certain property and equipment were acquired with funds from government grant contracts that include the requirement that a portion of the funds received by Goodwill would have to be paid back to the grantor if the agreed-upon use of such funds were to be changed by Goodwill.

Goodwill reviews the recoverability of long-lived assets when events or changes in circumstances occur that indicate that the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on the ability to recover the carrying value of the asset from the expected future cash flows. If these cash flows are less than the carrying value of such asset, an impairment loss is recognized for the difference between estimated fair value and carrying value. The measurement of impairment requires management to make estimates of these cash flows related to long-lived assets. There were no asset impairments recognized for the years ended September 30, 2015 and 2014.

**Contributions** - Contributions of cash and other assets are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows.

Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are both reported as unrestricted support.

Donated inventory items are recorded at estimated value as determined by management using a calculation based on factors such as estimated net sales, inventory turnover, and program-related costs incurred for preparing the inventory for sale. When donated inventory items are sold, they are reflected in cost of goods sold in retail operations. This method is consistent with guidance provided by GII and used by GII affiliates nationwide.

# Goodwill Industries of Northern Michigan, Inc. and Affiliates

## Notes to Consolidated Financial Statements September 30, 2015 and 2014

### Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

**Revenue Recognition** - Retail stores recognize revenue at the point of sale. Service fees are recognized as services are rendered. Grant revenue from funding agencies is recognized when services are performed in accordance with contract terms with the funding agencies.

**Concentration** - The Carson Square LDHALP Project's sole asset is a 36-unit apartment project in Traverse City, Michigan. The Project's operations are concentrated in the real estate rental market. In addition, the Project operates in a heavily regulated environment. The operations of the Project are subject to the administrative directives, rules, and regulations of federal, state, and local regulatory agencies, including, but not limited to, MSHDA. Such administrative, directives, rules, and regulations are subject to change by an Act of Congress or an administrative change mandated by MSHDA. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

**Advertising Expense** - Advertising expense was \$167,299 and \$205,549 for the years ended September 30, 2015 and 2014, respectively.

**Federal Income Taxes** - GWI and GWH are exempt from income tax under provisions of Internal Revenue Code Section 501(c)(3) and, accordingly, no provision has been made. Carson Square, LLC, is currently taxed as a partnership; however, upon filing its first return for December 31, 2015, it will file an election to be taxed as a corporation. For the year ended September 30, 2015, there was no taxable income and no provision for federal income taxes has been made in the accompanying consolidated financial statements for this entity.

Carson Square Goodwill, LLC is a single-member limited liability company, is disregarded for federal income tax purposes, and any income or loss will be reported by GWI. Carson Square LDHALP is organized as a limited partnership and any income or loss will be reported by Carson Square, LLC in its corporate form. Accordingly, items of income or loss are reported by the members and partners. No provision for federal income taxes has been made in the accompanying consolidated financial statements for these entities.

**Functional Allocation of Expenses** - The costs of providing program and support services have been reported on a functional basis in the consolidated statement of activities and changes in net assets. Indirect costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

# Goodwill Industries of Northern Michigan, Inc. and Affiliates

## Notes to Consolidated Financial Statements September 30, 2015 and 2014

### Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

**Reclassification** - Certain reclassifications were made to amounts in the 2014 consolidated financial statements to conform to the classifications used in 2015.

**Use of Estimates** - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

**Upcoming Pronouncement** - On May 28, 2014, the Financial Accounting Standards Board (FASB) and International Accounting Standards Board (IASB) issued substantially converged final standards on revenue recognition. The FASB's Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, has a goal of improving consistency of requirements, comparability of revenue recognition practices, and usefulness of disclosures. The ASU eliminates most of the existing industry-specific guidance and significantly expands revenue recognition disclosures. The required disclosure changes will include both quantitative and qualitative information about the amount, timing, and uncertainty of revenue from contracts with customers, and the significant judgments used. The Organization is currently evaluating the impact this ASU will have on the consolidated financial statements when adopted during the September 30, 2020 fiscal year.

**Subsequent Events** - The consolidated financial statements and related disclosures include evaluation of events up through and including February 9, 2016, which is the date the consolidated financial statements were issued.

### Note 2 - Receivables

Receivables are summarized as follows at September 30:

	2015	2014
Grant awards	\$ 6,823	\$ 5,151
Program service fees and other sources	253,635	218,307
Subtotal	260,458	223,458
Less allowance for doubtful accounts	1,000	1,000
Receivables - Net	<u>\$ 259,458</u>	<u>\$ 222,458</u>



# **Goodwill Industries of Northern Michigan, Inc. and Affiliates**

---

## **Notes to Consolidated Financial Statements September 30, 2015 and 2014**

### **Note 3 - Investments and Fair Value Measurements**

Accounting standards require certain assets and liabilities be reported at fair value in the consolidated financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Organization's assets and liabilities measured at fair value on a recurring basis at September 30, 2015 and 2014 and the valuation techniques used by the Organization to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset or liability.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Organization's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

# Goodwill Industries of Northern Michigan, Inc. and Affiliates

## Notes to Consolidated Financial Statements September 30, 2015 and 2014

### Note 3 - Investments and Fair Value Measurements (Continued)

#### Assets and Liabilities Measured at Fair Value on a Recurring Basis at September 30, 2015

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value	Balance at September 30, 2015
<b>Assets - Mutual funds</b>					
Equity securities (small blend)	\$ 36,550	\$ -	\$ -	\$ -	\$ 36,550
Equity securities (mid-cap blend)	56,032	-	-	-	56,032
Equity securities (large blend)	185,945	-	-	-	185,945
Equity securities (world blend)	42,236	-	-	-	42,236
Fixed income (short-term bond)	172,171	-	-	-	172,171
Fixed income (intermediate-term bond)	446,714	-	-	-	446,714
Fixed income (high-yield bond)	55,222	-	-	-	55,222
Total assets	<u>\$ 994,870</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 994,870</u>
<b>Liabilities - Interest rate swap</b>	<u>\$ -</u>	<u>\$ 105,027</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 105,027</u>

#### Assets and Liabilities Measured at Fair Value on a Recurring Basis at September 30, 2014

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value	Balance at September 30, 2014
<b>Assets - Mutual funds</b>					
Equity securities (small blend)	\$ 109,966	\$ -	\$ -	\$ -	\$ 109,966
Equity securities (mid-cap blend)	138,712	-	-	-	138,712
Equity securities (large blend)	314,705	-	-	-	314,705
Equity securities (world blend)	72,413	-	-	-	72,413
Fixed income (short-term bond)	239,388	-	-	-	239,388
Fixed income (intermediate-term bond)	801,509	-	-	-	801,509
Fixed income (high-yield bond)	173,728	-	-	-	173,728
Total assets	<u>\$ 1,850,421</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,850,421</u>
<b>Liabilities - Interest rate swap</b>	<u>\$ -</u>	<u>\$ 137,125</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 137,125</u>

# Goodwill Industries of Northern Michigan, Inc. and Affiliates

## Notes to Consolidated Financial Statements September 30, 2015 and 2014

### Note 3 - Investments and Fair Value Measurements (Continued)

The fair value of the interest rate swap at September 30, 2015 and September 30, 2014 was determined primarily based on Level 2 inputs. The Organization estimates the fair value of this liability based on term and interest rate factors.

The Organization also has assets and liabilities that under certain conditions are subject to measurement at fair value on a nonrecurring basis. The Organization has estimated the fair values of these financial instruments based on Level 2 inputs as described above.

**Short-term Financial Instruments** - The fair values of short-term financial instruments, including cash equivalents, accounts receivable and payable, and accrued liabilities, approximate the carrying amounts in the accompanying consolidated financial statements due to the short maturity of such instruments.

**Long-term Obligations** - The fair value of long-term obligations approximates the carrying amounts in the accompanying consolidated financial statements. The carrying value of the debt approximates fair value based on current borrowing rates.

### Note 4 - Inventory

Inventory consists of the following at September 30:

	2015	2014
Donated goods	\$ 341,210	\$ 284,782
Other - Purchased goods for sale	323,407	178,039
Total inventory	<u>\$ 664,617</u>	<u>\$ 462,821</u>

### Note 5 - Property and Equipment

Property and equipment are summarized as follows:

	2015	2014	Depreciable Life - Years
Land	\$ 2,430,283	\$ 1,735,449	-
Buildings	14,007,973	11,618,376	7-40
Machinery and equipment	1,482,710	1,209,674	2-10
Transportation equipment	707,807	694,949	5
Furniture and fixtures	469,211	349,955	3-5
Leasehold improvements	253,102	31,531	5-20
Construction in progress	1,675,872	429,335	-
Total cost	<u>21,026,958</u>	<u>16,069,269</u>	
Accumulated depreciation	<u>4,205,431</u>	<u>3,531,594</u>	
Net property and equipment	<u>\$ 16,821,527</u>	<u>\$ 12,537,675</u>	

# Goodwill Industries of Northern Michigan, Inc. and Affiliates

## Notes to Consolidated Financial Statements September 30, 2015 and 2014

### Note 5 - Property and Equipment (Continued)

Depreciation and amortization expense was \$675,390 for 2015 and \$606,234 for 2014.

The Organization maintains two vehicles under a capital lease for a total capitalized cost of \$229,926 as of September 30, 2015 and 2014. The associated accumulated depreciation as of September 30, 2015 and 2014 is \$94,391 and \$61,070, respectively, with an associated depreciation expense of \$33,321 for the years ended September 30, 2015 and 2014.

### Note 6 - Accounts Payable - Carson Square

At September 30, 2015, Carson Square LDHALP incurred \$928,044 recorded as accounts payable related to construction in progress for the Carson Square Project to be funded with the construction loan described in Note 7.

### Note 7 - Long-term Debt

Long-term debt at September 30 is as follows:

	<u>2015</u>	<u>2014</u>
GWI bond issue through Michigan Strategic Fund, requiring semiannual redemptions of \$50,000 to \$105,000, through the date of maturity, due on April 1 and October 1, with interest charged at the floating LIBOR (a 0.25 percent effective rate as of September 30, 2015). The loan is guaranteed by GWH, secured by a letter of credit, and matures on October 1, 2027	\$ 1,965,000	\$ 2,075,000
GWI mortgage loan payable for the Alpena retail store through a financial institution requiring monthly principal payments of \$9,914 with interest charged at 3.50 percent per annum based on a year of 360 days. Final payment will be due on May 1, 2023. The loan is guaranteed by GWH and collateralized by the Alpena retail store building	789,838	879,081
GWI mortgage loan payable for the Acme retail store through a financial institution, requiring monthly principal payments of \$12,985 with interest charged at 3.82 percent per annum based on a year of 360 days. Final payment will be due on June 24, 2023. The loan is guaranteed by GWH and collateralized by the Acme retail store building	1,041,595	1,154,743

# Goodwill Industries of Northern Michigan, Inc. and Affiliates

## Notes to Consolidated Financial Statements September 30, 2015 and 2014

### Note 7 - Long-term Debt (Continued)

	<u>2015</u>	<u>2014</u>
GWI note payable through a financial institution, requiring monthly principal payments of \$3,367, bearing interest at 5.50 percent per year, due in full on August 15, 2027. The note payable is collateralized by GWI's investments	\$ 351,110	\$ 371,339
GWH note payable to Grand Traverse County Department of Public Works in installments of \$603, including interest at 4.00 percent. The note is due in December 2021 and is not collateralized	45,669	52,911
GWI vehicle capital lease, payable in monthly installments of \$1,377 and \$1,393 (total monthly payments of \$2,770), maturing in July 2019 and January 2020	135,778	169,018
GWI mortgage loan payable for the Charlevoix retail store through a financial institution, requiring monthly principal payments of \$3,115 with interest charged at 3.65 percent per annum based on a year of 360 days. Final payment will be due on March 6, 2025. The loan is guaranteed by GWH and is collateralized by the Charlevoix retail store building	299,026	-
GWI mortgage loan payable for a warehouse through a financial institution, requiring monthly principal payments of \$14,743 with interest charged at 3.60 percent per annum based on a year of 360 days. Final payment will be due on December 2, 2024. The loan is collateralized by the warehouse building	1,376,283	-
Carson Square LDHALP Construction loan with maximum drawings of \$4,339,379 through a financial institution, bears no interest, with the full amount borrowed due in full on April 8, 2017. The loan is guaranteed by GWI and is collateralized by the building	183,754	-

# Goodwill Industries of Northern Michigan, Inc. and Affiliates

## Notes to Consolidated Financial Statements September 30, 2015 and 2014

### Note 7 - Long-term Debt (Continued)

	<u>2015</u>	<u>2014</u>
Carson Square LDHALP MSHDA HOME Mortgage loan for \$640,000, requiring annual principal payments equal to 50 percent of surplus funds with interest charged at 3.00 percent per annum once the apartment building is placed in service. Final payment will be due on July 8, 2065. The loan is guaranteed by GWI and is collateralized by the building	\$ 551,229	\$ -
Total	6,739,282	4,702,092
Less current portion	<u>537,024</u>	<u>373,005</u>
Long-term portion	<u>\$ 6,202,258</u>	<u>\$ 4,329,087</u>

The balance of the above debt, excluding MSHDA HOME Mortgage loan, matures are as follows:

<u>Years Ending September 30</u>	<u>Amount</u>
2016	\$ 537,024
2017	746,145
2018	582,958
2019	606,384
2020	603,060
Thereafter	<u>3,112,482</u>
Total	<u>\$ 6,188,053</u>

Repayment of the MSHDA HOME Mortgage loan will be based on a cash surplus calculation annually once the apartment complex is placed in service. The entire balance of \$551,229 is considered long-term at September 30, 2015.

Interest expense for the years ended September 30, 2015 and 2014 was \$216,085 and \$197,888, respectively.

Goodwill has an available line of credit with maximum borrowings of \$750,000. This line of credit bears interest at a variable rate equal to 2.25 percent over the independent index or LIBOR (2.45 percent at September 30, 2015). There were no borrowings outstanding at September 30, 2015 and 2014. The line expires on May 15, 2016.

# **Goodwill Industries of Northern Michigan, Inc. and Affiliates**

## **Notes to Consolidated Financial Statements September 30, 2015 and 2014**

### **Note 7 - Long-term Debt (Continued)**

In October 2015, the Organization borrowed \$350,000 from a financial institution. Monthly interest-only payments are required for the first six months. Beginning in May 2016, the note is payable by the Organization in monthly principal payment installments of \$7,059, plus interest of 3.73 percent. The note is collateralized by the Patriot Place property and matures in October 2020.

Carson Square LDHALP also entered into a MSHDA mortgage (the "mortgage") for \$798,526 in July 2015, of which \$0 was outstanding at September 30, 2015. After the disbursement, the mortgage will require principal and interest payments, with an interest rate of 7.00 percent for 34 years and 11 months. The mortgage is subordinate to the MSHDA HOME Mortgage loan and the construction loan with the bank.

Under the terms of the Michigan Strategic Fund bond agreement, Goodwill must maintain an irrevocable letter of credit to secure the payment of the principal amount of the bonds plus 45 days' accrued interest thereon. If a drawing occurs under the letter of credit, Goodwill must repay the funds within 367 days. The existing letter of credit, in the amount of \$2,679,405 (original principal plus 45 days' interest at 9.00 percent), expires on October 15, 2017.

Goodwill has entered into an interest rate swap agreement to reduce the impact of changes in interest rates on the variable rate Michigan Strategic Fund bond. At September 30, 2015, the outstanding swap agreement had a total principal and notional amount of \$1,483,019. This agreement changes Goodwill's interest rate exposure of the bond due on October 1, 2027 to an average fixed rate of 7.14 percent. The interest rate swap is based on the difference between LIBOR plus 1.80 percent and the average fixed rate. The interest rate swap agreement matures in monthly intervals through November 1, 2017. This interest rate swap is recognized in the accompanying consolidated balance sheet at fair value. Changes in the fair value of the interest rate swap are recognized in nonoperating activities. Net realized gain on the swap totaled \$32,098 and \$49,148 in 2015 and 2014, respectively.

# Goodwill Industries of Northern Michigan, Inc. and Affiliates

## Notes to Consolidated Financial Statements September 30, 2015 and 2014

### Note 8 - Operating Leases

Goodwill leases various buildings and equipment under operating leases expiring through September 2023.

As of September 30, 2015, future minimum lease payments required under the operating leases, which have an initial or remaining noncancelable lease term in excess of one year, are summarized as follows:

<u>Years Ending September 30</u>	<u>Amount</u>
2016	\$ 453,510
2017	386,624
2018	355,884
2019	383,616
2020	363,691
Thereafter	<u>663,768</u>
Total	<u>\$ 2,607,093</u>

Total rent expense on these leases for 2015 and 2014 was \$423,242 and \$422,211, respectively.

### Note 9 - Retirement Plan

Goodwill participates in a deferred compensation retirement 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 years 2015 and 2014, Goodwill made a discretionary match at a rate of 100 percent of the employees' percentage deferral up to a maximum of 3 percent. Goodwill contributions to the plan amounted to \$84,165 and \$81,792 for the years ended September 30, 2015 and 2014, respectively.

### Note 10 - Contingencies

The Organization's low-income housing tax credits are contingent on its ability to maintain compliance with applicable sections of Section 42. Failure to maintain compliance with occupant eligibility and/or unit gross rent, or to correct noncompliance within a specified time period, could result in recapture of previously taken tax credits plus interest. In addition, such potential noncompliance may require an adjustment to the contributed capital by the investor limited partner.



## **Additional Information**

---

## Independent Auditor's Report on Additional Information

To the Board of Directors  
Goodwill Industries of Northern  
Michigan, Inc. and Affiliates

We have audited the consolidated financial statements of Goodwill Industries of Northern Michigan, Inc. and Affiliates as of and for the years ended September 30, 2015 and 2014 and have issued our report thereon dated February 9, 2016, which contained an unmodified opinion on those financial statements. We did not audit the financial statements of Carson Square Limited Dividend Housing Association Limited Partnership, a consolidated variable interest entity. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included, is based solely on the report of the other auditors.

Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for the purpose of additional analysis rather than to present the financial position and changes in net assets of the individual entities and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Plante & Moran, PLLC*

February 9, 2016

# Goodwill Industries of Northern Michigan, Inc. and Affiliates

## Consolidating Balance Sheet September 30, 2015 (with comparative totals for September 30, 2014)

	Goodwill Industries of Northern Michigan, Inc.	G.W. Homeless Services of Northern Michigan, Inc.	Carson Square, LLC	Carson Square Goodwill, LLC	Carson Square LDHALP	Eliminating Entries	Totals	
							2015	2014
<b>Assets</b>								
<b>Current Assets</b>								
Cash and cash equivalents	\$ 404,298	\$ 54,574	\$ -	\$ -	\$ 885	\$ -	\$ 459,757	\$ 459,373
Receivables - Net	199,873	59,585	-	-	-	-	259,458	222,458
Investments	994,870	-	-	-	-	-	994,870	1,850,421
Inventory	664,617	-	-	-	-	-	664,617	462,821
Intercompany receivable	765,676	-	100	37,100	-	(802,876)	-	-
Prepaid expenses and other current assets	139,597	4,821	-	-	2,436	-	146,854	130,891
Total current assets	3,168,931	118,980	100	37,100	3,321	(802,876)	2,525,556	3,125,964
<b>Investment in Subsidiary</b>	37,200	-	54,000	-	-	(91,200)	-	-
<b>Property and Equipment - Net</b>	11,535,094	3,385,727	-	-	1,900,706	-	16,821,527	12,537,675
<b>Other Assets</b>	44,282	-	-	-	-	-	44,282	46,841
Total assets	<b>\$ 14,785,507</b>	<b>\$ 3,504,707</b>	<b>\$ 54,100</b>	<b>\$ 37,100</b>	<b>\$ 1,904,027</b>	<b>\$ (894,076)</b>	<b>\$ 19,391,365</b>	<b>\$ 15,710,480</b>

# Goodwill Industries of Northern Michigan, Inc. and Affiliates

## Consolidating Balance Sheet (Continued) September 30, 2015 (with comparative totals for September 30, 2014)

	Goodwill Industries of Northern Michigan, Inc.	G.W. Homeless Services of Northern Michigan, Inc.	Carson Square, LLC	Carson Square Goodwill, LLC	Carson Square LDHALP	Eliminating Entries	Totals	
							2015	2014
<b>Liabilities and Net Assets</b>								
<b>Current Liabilities</b>								
Accounts payable	\$ 255,895	\$ 45,143	\$ -	\$ -	\$ -	\$ -	\$ 301,038	\$ 236,307
Accounts payable - Carson Square	-	-	-	-	928,044	-	928,044	-
Intercompany payable	200	711,676	54,000	-	37,000	(802,876)	-	-
Current portion of long-term debt	529,781	7,243	-	-	-	-	537,024	373,005
Accrued liabilities and other	729,850	44,082	-	-	-	-	773,932	606,870
Total current liabilities	1,515,726	808,144	54,000	-	965,044	(802,876)	2,540,038	1,216,182
<b>Capital Lease Obligation</b>	135,778	-	-	-	-	-	135,778	169,018
<b>Long-term Notes Payable - Net of current portion</b>	5,293,071	38,426	-	-	734,983	-	6,066,480	4,160,069
<b>Interest Rate Swap</b>	105,027	-	-	-	-	-	105,027	137,125
Total liabilities	7,049,602	846,570	54,000	-	1,700,027	(802,876)	8,847,323	5,682,394
<b>Net Assets - Unrestricted</b>								
Undesignated	6,335,905	2,658,137	100	37,100	204,000	(241,200)	8,994,042	8,628,086
Board designated	1,400,000	-	-	-	-	-	1,400,000	1,400,000
Noncontrolling interest - Carson Square Limited Dividend Housing Association Limited Partnership	-	-	-	-	-	150,000	150,000	-
Total net assets	7,735,905	2,658,137	100	37,100	204,000	(91,200)	10,544,042	10,028,086
Total liabilities and net assets	<b>\$ 14,785,507</b>	<b>\$ 3,504,707</b>	<b>\$ 54,100</b>	<b>\$ 37,100</b>	<b>\$ 1,904,027</b>	<b>\$ (894,076)</b>	<b>\$ 19,391,365</b>	<b>\$ 15,710,480</b>

## Goodwill Industries of Northern Michigan, Inc. and Affiliates

### Consolidating Statement of Activities and Changes in Net Assets Years Ended September 30, 2015 and 2014

	Goodwill Industries of Northern Michigan, Inc.	G.W. Homeless Services of Northern Michigan, Inc.	Carson Square, LLC	Carson Square Goodwill, LLC	Carson Square LDHALP	Eliminating Entries	Totals	
							2015	2014
<b>Changes in Unrestricted Net Assets</b>								
Retail sales	\$ 8,995,599	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,995,599	\$ 8,390,449
Contributions - Donated inventory	3,663,645	2,474	-	-	-	-	3,666,119	3,091,392
Grants	863,629	244,194	-	-	-	-	1,107,823	678,171
Program service fees	832,405	366,757	-	186,000	-	-	1,385,162	1,035,899
Contributions - Other	216,720	151,739	-	-	-	-	368,459	412,916
Investment income - Unrestricted	49,020	-	-	-	-	-	49,020	51,796
Miscellaneous income	142,418	47,357	-	-	-	-	189,775	150,823
<b>Total revenue and support</b>	<b>14,763,436</b>	<b>812,521</b>	<b>-</b>	<b>186,000</b>	<b>-</b>	<b>-</b>	<b>15,761,957</b>	<b>13,811,446</b>
<b>Expenses</b>								
Program:								
Retail operations	10,243,691	-	-	-	-	-	10,243,691	8,776,754
Housing services	571,348	1,208,749	-	149,000	-	-	1,929,097	1,810,066
Food services	1,397,823	(31,817)	-	-	-	-	1,366,006	1,653,037
Jobs services	470,240	(658)	-	-	-	-	469,582	381,765
<b>Total program service expenses</b>	<b>12,683,102</b>	<b>1,176,274</b>	<b>-</b>	<b>149,000</b>	<b>-</b>	<b>-</b>	<b>14,008,376</b>	<b>12,621,622</b>
Support services:								
Management and general	1,126,108	72,242	-	-	-	-	1,198,350	1,051,035
Fundraising	202,889	-	-	-	-	-	202,889	174,487
<b>Total support services</b>	<b>1,328,997</b>	<b>72,242</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,401,239</b>	<b>1,225,522</b>
<b>Increase (Decrease) in Unrestricted Net Assets - Operating</b>	<b>751,337</b>	<b>(435,995)</b>	<b>-</b>	<b>37,000</b>	<b>-</b>	<b>-</b>	<b>352,342</b>	<b>(35,698)</b>
<b>Nonoperating Activities</b>								
Net gains (losses) from sales of property and equipment	291	-	-	-	-	-	291	(8,035)
Net realized/unrealized (losses) gains on investment securities	(18,775)	-	-	-	-	-	(18,775)	97,944
Change in fair value of interest rate swap	32,098	-	-	-	-	-	32,098	49,148
Capital contribution	-	-	100	100	204,000	(54,200)	150,000	-
Income from subsidiaries	37,000	-	-	-	-	(37,000)	-	-
<b>Total nonoperating activities</b>	<b>50,614</b>	<b>-</b>	<b>100</b>	<b>100</b>	<b>204,000</b>	<b>(91,200)</b>	<b>163,614</b>	<b>139,057</b>
<b>Increase (Decrease) in Net Assets</b>	<b>801,951</b>	<b>(435,995)</b>	<b>100</b>	<b>37,100</b>	<b>204,000</b>	<b>(91,200)</b>	<b>515,956</b>	<b>103,359</b>
<b>Net Assets - Beginning of year</b>	<b>6,933,954</b>	<b>3,094,132</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,028,086</b>	<b>9,924,727</b>
<b>Net Assets - End of year</b>	<b>\$ 7,735,905</b>	<b>\$ 2,658,137</b>	<b>\$ 100</b>	<b>\$ 37,100</b>	<b>\$ 204,000</b>	<b>\$ (91,200)</b>	<b>\$ 10,544,042</b>	<b>\$ 10,028,086</b>