

**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>

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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.



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

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2009

	Goodwill Industries of Northern Michigan, Inc.	GW Homeless Services of Northern Michigan, Inc.	Consolidating Total	Inter-entity Eliminations	Consolidated Total
ASSETS					
Current assets					
Cash and cash equivalents	\$ 562,509	\$ 15,670	\$ 578,179	\$ -	\$ 578,179
Investment securities	1,503,841	-	1,503,841	-	1,503,841
Accounts receivable, net	248,495	74,684	323,179	(6,769)	316,410
Pledges receivable, net	-	7,400	7,400	-	7,400
Inventories	249,013	-	249,013	-	249,013
Prepaid expenses and other	60,678	2,474	63,152	-	63,152
Total current assets	2,624,536	100,228	2,724,764	(6,769)	2,717,995
Property and equipment, net	3,366,284	4,238,614	7,604,898	-	7,604,898
Total assets	\$ 5,990,820	\$ 4,338,842	\$ 10,329,662	\$ (6,769)	\$ 10,322,893
LIABILITIES AND NET ASSETS					
Current liabilities					
Accounts payable	\$ 61,582	\$ 16,188	\$ 77,770	\$ (6,769)	\$ 71,001
Accrued expenses	305,247	21,946	327,193	-	327,193
Deferred revenue	28,083	-	28,083	-	28,083
Current portion of long-term debt	80,000	44,810	124,810	-	124,810
Total current liabilities	474,912	82,944	557,856	(6,769)	551,087
Long-term debt, net of current portion	2,455,000	95,444	2,550,444	-	2,550,444
Interest rate swap	161,447	-	161,447	-	161,447
Total liabilities	3,091,359	178,388	3,269,747	(6,769)	3,262,978
Unrestricted net assets					
Undesignated net assets	1,358,208	4,160,454	5,518,662	-	5,518,662
Board designated net assets	1,400,000	-	1,400,000	-	1,400,000
Total unrestricted net assets	2,758,208	4,160,454	6,918,662	-	6,918,662
Temporarily restricted net assets	141,253	-	141,253	-	141,253
Total net assets	2,899,461	4,160,454	7,059,915	-	7,059,915
Total liabilities and net assets	\$ 5,990,820	\$ 4,338,842	\$ 10,329,662	\$ (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	Inter-entity Eliminations	Consolidating Total
ASSETS					
Current assets					
Cash and cash equivalents	\$ 1,330,577	\$ 15,580	\$ 1,346,157	\$ -	\$ 1,346,157
Accounts receivable, net	254,868	97,012	351,880	-	351,880
Pledges receivable, net	-	20,826	20,826	-	20,826
Inventories	160,502	-	160,502	-	160,502
Prepaid expenses and other	80,101	3,893	83,994	-	83,994
Total current assets	1,826,048	137,311	1,963,359	-	1,963,359
Property and equipment, net	3,426,918	4,390,253	7,817,171	-	7,817,171
Total assets	\$ 5,252,966	\$ 4,527,564	\$ 9,780,530	\$ -	\$ 9,780,530
LIABILITIES AND NET ASSETS					
Current liabilities					
Accounts payable	\$ 105,537	\$ 23,911	\$ 129,448	\$ -	\$ 129,448
Accrued expenses	285,869	21,858	307,727	-	307,727
Deferred revenue	97,785	-	97,785	-	97,785
Current portion of long-term debt	80,000	41,404	121,404	-	121,404
Total current liabilities	569,191	87,173	656,364	-	656,364
Long-term debt, net of current portion	2,535,000	155,068	2,690,068	-	2,690,068
Interest rate swap	52,339	-	52,339	-	52,339
Total liabilities	3,156,530	242,241	3,398,771	-	3,398,771
Unrestricted net assets					
Undesignated net assets	1,998,651	4,285,323	6,283,974	-	6,283,974
Board designated net assets	-	-	-	-	-
Total unrestricted net assets	1,998,651	4,285,323	6,283,974	-	6,283,974
Temporarily restricted net assets	97,785	-	97,785	-	97,785
Total net assets	2,096,436	4,285,323	6,381,759	-	6,381,759
Total liabilities and net assets	\$ 5,252,966	\$ 4,527,564	\$ 9,780,530	\$ -	\$ 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	Managemet 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