

**GOODWILL INDUSTRIES OF NORTHERN MICHIGAN
AND AFFILIATES**

**REPORT ON CONSOLIDATED FINANCIAL STATEMENTS
(with supplementary information)**

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Goodwill Industries of Northern Michigan and Affiliates

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Goodwill Industries of Northern Michigan (a nonprofit organization) and Affiliates, which comprise the consolidated statements of financial position as of September 30, 2018 and 2017, and the related consolidated statements of functional expenses and cash flows for the years then ended, and the consolidated statement of activities for the year ended September 30, 2018 and the related notes to the consolidated financial statements.

Management's Responsibility for the 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 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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 qualified audit opinion.

Basis for Qualified Opinion

As more fully discussed in Note 8 to the consolidating financial statements, Goodwill Industries of Northern Michigan's consolidated financial statements do not include a certain real estate partnership that the Organization maintains a controlling financial indirect interest. In our opinion, accounting principles generally accepted in the United States of America require that this entity should be consolidated in Goodwill Industries of Northern Michigan's consolidated financial statements. The effects on the consolidated financial statements of that departure from accounting principles generally accepted in the United States of America have not been determined.

Qualified Opinion

In our opinion, except for the matter described in the Basis For Qualified Opinion paragraph, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the consolidated financial position of Goodwill Industries of Northern Michigan and Affiliates as of September 30, 2018 and 2017, and the changes in its consolidated net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United State of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited Goodwill Industries of Northern Michigan and Affiliate's 2017 consolidated financial statements, and we expressed a qualified audit opinion on those audited consolidated financial statements in our report dated February 21, 2018. In our opinion, the summarized comparative information presented in the consolidated statement of activities for the year ended September 30, 2017, is consistent, in all material respects, with the audit consolidated financial statements from which it has been derived.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis 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 audits 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 respect in relation to the consolidated financial statements as a whole.

Manes Costeiran PC

January 23, 2019

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2018 AND 2017

	2018	2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,314,766	\$ 581,669
Investments	1,375,720	1,143,758
Accounts receivable	230,313	255,598
Prepaid expenses	72,634	137,067
Inventory	482,307	512,578
Accounts receivable - Carson Square LDHALP	85,380	523,841
Current portion of note receivable	40,000	20,000
TOTAL CURRENT ASSETS	3,601,120	3,174,511
PROPERTY AND EQUIPMENT, less accumulated depreciation	13,527,687	14,103,665
INVESTMENT IN SUBSIDIARY	122,730	122,730
LONG-TERM NOTE RECEIVABLE	60,000	80,000
TOTAL ASSETS	\$ 17,311,537	\$ 17,480,906
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 219,971	\$ 221,840
Current portion of debt and capital leases	748,621	706,264
Deferred revenue	-	100,000
Accrued expenses	473,080	427,350
TOTAL CURRENT LIABILITIES	1,441,672	1,455,454
LONG-TERM LIABILITIES:		
Capital lease	240,532	304,665
Long-term debt	3,717,807	4,373,035
Deferred issuance costs, net	(33,796)	(38,279)
Interest rate swap	-	6,468
TOTAL LONG-TERM LIABILITIES	3,924,543	4,645,889
TOTAL LIABILITIES	5,366,215	6,101,343
NET ASSETS:		
Unrestricted:		
Undesignated	10,520,179	9,945,637
Board designated	1,400,000	1,400,000
Total unrestricted net assets	11,920,179	11,345,637
Temporarily restricted	25,143	33,926
TOTAL NET ASSETS	11,945,322	11,379,563
TOTAL LIABILITIES AND NET ASSETS	\$ 17,311,537	\$ 17,480,906

See notes to consolidated financial statements.

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2018
(with comparative total for the year ended September 30, 2017)

	2018			2017
	Unrestricted	Temporary restricted	Total	
REVENUE AND SUPPORT:				
Retail sales	\$ 8,640,296	\$ -	\$ 8,640,296	\$ 8,896,617
Contributions - donated inventory	3,703,444	5,838	3,709,282	3,728,789
Grants	756,058	10,800	766,858	742,919
Program service fees	1,188,980	62,123	1,251,103	1,149,729
Contributions - other	393,818	23,547	417,365	369,321
Investment income	34,318	-	34,318	23,183
Other income	189,404	-	189,404	199,411
Released from restriction	111,091	(111,091)	-	-
Total revenue and support	<u>15,017,409</u>	<u>(8,783)</u>	<u>15,008,626</u>	<u>15,109,969</u>
EXPENSES:				
Program services	13,373,800	-	13,373,800	13,684,673
Fundraising	195,032	-	195,032	176,037
Management and general	901,776	-	901,776	941,093
Total expenses	<u>14,470,608</u>	<u>-</u>	<u>14,470,608</u>	<u>14,801,803</u>
Change in unrestricted net assets	<u>546,801</u>	<u>(8,783)</u>	<u>538,018</u>	<u>308,166</u>

See notes to consolidated financial statements.

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2018
(with comparative total for the year ended September 30, 2017)

	2018			2017
	Unrestricted	Temporary restricted	Total	
NONOPERATING ACTIVITIES:				
Net gain from sales of property and equipment	\$ 3,003	\$ -	\$ 3,003	\$ 88,629
Net realized/unrealized gain on investment securities	18,270	-	18,270	46,168
Change in fair value of interest rate swap	6,468	-	6,468	41,590
Loss from Carson Square LDHALP	-	-	-	(13)
Capital contributions	-	-	-	68,750
Total nonoperating activities	<u>27,741</u>	<u>-</u>	<u>27,741</u>	<u>245,124</u>
TOTAL CHANGE IN NET ASSETS	574,542	(8,783)	565,759	553,290
NET ASSETS - beginning of year	<u>11,345,637</u>	<u>33,926</u>	<u>11,379,563</u>	<u>10,826,273</u>
NET ASSETS - end of year	<u>\$ 11,920,179</u>	<u>\$ 25,143</u>	<u>\$ 11,945,322</u>	<u>\$ 11,379,563</u>

See notes to consolidated financial statements.

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2018

	Program services					Supporting services			Total expenses
	Retail operations	Housing	Jobs	Food	Total	Management and general	Fundraising	Total	
EXPENSES:									
Salaries and wages	\$ 2,971,848	\$ 937,471	\$ 49,295	\$ 286,431	\$ 4,245,045	\$ 474,602	\$ 95,077	\$ 569,679	\$ 4,814,724
Employee benefits	375,583	117,628	13,080	34,529	540,820	65,345	16,983	82,328	623,148
Payroll taxes	251,453	73,736	3,757	24,405	353,351	50,145	8,032	58,177	411,528
Total salaries and related benefits	3,598,884	1,128,835	66,132	345,365	5,139,216	590,092	120,092	710,184	5,849,400
Cost of goods sold	3,661,922	-	-	503,460	4,165,382	-	-	-	4,165,382
Cost of goods sold - purchased	268,683	-	-	-	268,683	-	-	-	268,683
Rent and lease expense	527,617	41,224	-	-	568,841	-	-	-	568,841
Interest	123,365	17,725	478	3,157	144,725	3,611	-	3,611	148,336
Depreciation and amortization	416,795	181,728	1,122	102,351	701,996	24,164	-	24,164	726,160
Supplies and purchases	278,143	58,232	41,730	65,142	443,247	46,202	6,195	52,397	495,644
Utilities	172,743	72,189	720	16,413	262,065	5,402	-	5,402	267,467
Bad debts	925	-	-	4,976	5,901	258	-	258	6,159
Direct client assistance	-	132,887	26	-	132,913	(29)	-	(29)	132,884
Advertising	49,458	9,836	928	14,305	74,527	1,703	11,314	13,017	87,544
Insurance	56,749	19,292	720	10,246	87,007	9,361	413	9,774	96,781
Dues	83,264	11,589	627	9,575	105,055	2,139	4,912	7,051	112,106
Garbage	164,249	8,703	292	1,968	175,212	2,489	-	2,489	177,701
Repairs and maintenance	225,647	105,563	1,507	21,583	354,300	12,975	-	12,975	367,275
Telephone and cable	30,772	21,858	1,769	3,766	58,165	11,534	1,274	12,808	70,973
Vehicle	37,295	9,812	95	32,999	80,201	10,428	-	10,428	90,629
Professional fees	78,958	28,480	5,626	5,363	118,427	95,075	15,750	110,825	229,252
Miscellaneous	9,476	(73,295)	3,407	(35,825)	(96,237)	61,939	31,797	93,736	(2,501)
Travel	16,723	8,901	93	606	26,323	4,469	1,305	5,774	32,097
Conventions and meetings	2,154	1,166	1,588	24	4,932	4,188	676	4,864	9,796
Office supplies	6,958	28,918	20	253	36,149	2,793	-	2,793	38,942
Postage	248,075	361	16	142	248,594	327	1,304	1,631	250,225
Annual bond financing	17,892	-	430	2,829	21,151	2,539	-	2,539	23,690
Service charges	243,661	2,039	97	1,228	247,025	10,117	-	10,117	257,142
Total expenses	<u>\$ 10,320,408</u>	<u>\$ 1,816,043</u>	<u>\$ 127,423</u>	<u>\$ 1,109,926</u>	<u>\$ 13,373,800</u>	<u>\$ 901,776</u>	<u>\$ 195,032</u>	<u>\$ 1,096,808</u>	<u>\$ 14,470,608</u>

See notes to consolidated financial statements.

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2017

	Program services					Supporting services			Total expenses
	Retail operations	Housing	Jobs	Food	Total	Management and general	Fundraising	Total	
EXPENSES:									
Salaries and wages	\$ 3,001,424	\$ 866,993	\$ 84,055	\$ 346,972	\$ 4,299,444	\$ 483,507	\$ 97,762	\$ 581,269	\$ 4,880,713
Employee benefits	365,180	101,913	8,274	54,561	529,928	81,333	13,430	94,763	624,691
Payroll taxes	255,671	67,252	7,741	31,224	361,888	58,287	8,645	66,932	428,820
Total salaries and related benefits	3,622,275	1,036,158	100,070	432,757	5,191,260	623,127	119,837	742,964	5,934,224
Cost of goods sold	3,680,459	-	-	572,154	4,252,613	-	-	-	4,252,613
Cost of goods sold - purchased	284,593	-	-	-	284,593	-	-	-	284,593
Rent and lease expense	529,168	4,061	-	-	533,229	-	-	-	533,229
Interest	159,784	19,221	732	512	180,249	17,554	-	17,554	197,803
Depreciation and amortization	391,926	176,020	2,383	110,845	681,174	53,886	-	53,886	735,060
Supplies and purchases	241,825	45,399	39,314	63,961	390,499	11,415	1,358	12,773	403,272
Utilities	181,546	77,092	618	552	259,808	23,059	-	23,059	282,867
Bad debts	3,548	-	-	865	4,413	-	-	-	4,413
Direct client assistance	-	180,558	100	50	180,708	600	-	600	181,308
Advertising	116,290	14,778	1,880	9,565	142,513	6,838	8,880	15,718	158,231
Insurance	56,040	18,607	1,408	9,056	85,111	11,736	402	12,138	97,249
Dues	83,558	13,095	1,067	8,553	106,273	3,863	3,280	7,143	113,416
Garbage	105,952	5,885	452	214	112,503	2,237	-	2,237	114,740
Repairs and maintenance	230,578	114,777	1,357	20,978	367,690	38,491	1,851	40,342	408,032
Telephone and cable	51,628	31,759	2,142	4,336	89,865	10,668	1,251	11,919	101,784
Vehicle	45,672	5,995	119	34,632	86,418	5,842	225	6,067	92,485
Professional fees	69,359	7,179	1,231	16,074	93,843	87,811	-	87,811	181,654
Miscellaneous	38,921	(47,745)	10,383	(27,768)	(26,209)	8,071	37,293	45,364	19,155
Travel	12,483	11,034	911	1,640	26,068	10,443	233	10,676	36,744
Conventions and meetings	970	982	226	108	2,286	5,963	547	6,510	8,796
Office supplies	9,232	7,358	327	924	17,841	1,462	-	1,462	19,303
Postage	326,515	521	153	825	328,014	2,356	880	3,236	331,250
Annual bond financing	17,921	10	328	215	18,474	2,933	-	2,933	21,407
Service charges	271,510	1,295	323	2,309	275,437	12,738	-	12,738	288,175
Total expenses	<u>\$ 10,531,753</u>	<u>\$ 1,724,039</u>	<u>\$ 165,524</u>	<u>\$ 1,263,357</u>	<u>\$ 13,684,673</u>	<u>\$ 941,093</u>	<u>\$ 176,037</u>	<u>\$ 1,117,130</u>	<u>\$ 14,801,803</u>

See notes to consolidated financial statements.

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018	2017
INCREASE IN CASH AND CASH EQUIVALENTS:		
Cash flows from operating activities:		
Change in net assets	\$ 565,759	\$ 553,290
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	726,160	735,060
Gain on sale of property and equipment	(3,003)	(88,629)
Bad debt	6,159	4,413
Amortization of debt costs (interest expense)	4,483	4,484
Net realized/unrealized gain on investment securities	(18,270)	(46,168)
Change in fair value of interest rate swap	(6,468)	(41,591)
Loss from Carson Square LDHALP	-	13
Accounts receivable	19,126	61,986
Receivable from Carson Square LDHALP	438,461	-
Inventory	30,271	142,991
Prepaid expenses	64,433	4,371
Accounts payable	(1,869)	(127,679)
Accounts payable Carson Square LDHALP	-	(100)
Accrued expenses	45,730	(161,611)
Deferred revenues	(100,000)	-
Total adjustments	1,205,213	487,540
Net cash provided by operating activities	1,770,972	1,040,830
Cash flows from investing activities:		
Net sales (purchases) of investments	(213,692)	30,936
Capital contributions to Carson Square LDHALP	-	(68,750)
Purchase of property and equipment	(197,566)	(88,340)
Proceeds from disposition of property and equipment	79,500	2,250
Net cash used by investing activities	(331,758)	(123,904)
Cash flows from financing activities:		
Repayment of long-term debt and capital leases	(706,117)	(679,943)
Note receivable	-	(100,000)
Proceeds from issuance of debt	-	32,808
Net cash used by financing activities	(706,117)	(747,135)
NET INCREASE IN CASH AND CASH EQUIVALENTS	733,097	169,791
CASH AND CASH EQUIVALENTS:		
Beginning of year	581,669	411,878
End of year	\$ 1,314,766	\$ 581,669
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	\$ 148,723	\$ 198,190
Non-cash property and equipment included in capital leases	\$ 29,113	\$ -

See notes to consolidated financial statements.

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

Principles of consolidation and basis of accounting - These consolidated financial statements reflect the consolidated activity of Goodwill Industries of Northern Michigan, Inc. (the Organization), 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. The financial statements of the Organization and its affiliates are presented on a consolidated basis because of the Organization's ability to determine direction and assign functions to the affiliates. These consolidated financial statements are prepared on the accrual basis of accounting, which recognizes income when earned and expenses when incurred. All significant inter-entity transactions and balances have been eliminated.

Affiliation with Goodwill Industries International, Inc. - The Organization 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 \$95,177 and \$99,633 for the years ended September 30, 2018 and 2017, respectively.

Financial statement presentation - The Organization is required to report information regarding its financial position and activities according to three classes of net assets. Unrestricted net assets represent the resources available for use in carrying out the operations of the Organization and are under the discretionary control of the Board of Directors. Temporarily restricted net assets represent contributions and other income that has been received, but are restricted for specific activities limited by either a donor-imposed time restriction or donor imposed purpose restriction. Permanently restricted net assets represent donations that are to be maintained indefinitely, with only the income earned available to be utilized for donor stated purposes. The Organization had no permanently restricted net assets as of September 30, 2018 and 2017. The Board of Directors has designated \$1,400,000 of net assets for program expansion as of September 30, 2018 and 2017, which can be changed or removed by action of the Board of Directors at any time.

Cash and cash equivalents - Cash and cash equivalents include all highly liquid investments with an original maturity of three months or less.

Investments - Investments are stated at fair value. Fair value is the price that would be received to sell or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investment income or loss (including gains and losses on investments, interest and dividends) is included in the consolidated statements of activities as increases or decreases in unrestricted net assets. See Note 5 for fair value measurements.

Accounts receivable - Accounts receivable are reported at the amount management expects to collect on balances outstanding at year end. The Organization provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of receivable accounts. Balances that are still outstanding after reasonable collection efforts are written off through a charge to the valuation and a credit to receivables. For both years ended September 30, 2018 and 2017, an allowance for bad debts was recorded in the amount of \$2,000.

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (Continued)

Inventory - Inventory consists of contributed goods, which are recorded at their estimated fair value as determined by 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 from GII.

Property and equipment - Property and equipment, greater than \$5,000, are recorded at cost or fair value of a gift at the date of the donation. Depreciation is based upon the straight-line method over the estimated useful lives of the assets. Costs for maintenance and repairs are charged to expense as 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 the Organization would have to be paid back to the grantor if the agreed-upon use of such funds were to be changed by the Organization.

Investment in real estate partnership - The Organization as part of its mission, sponsors low and moderate income multi-family housing projects. In so doing, they invest through subsidiary corporations in these projects. These projects are generally regulated by state and federal agencies and have restrictions on operations including rental rates and distributions. In addition, the projects generally have partnership agreements which, because of the significant investment of the limited partners involved in the projects, limit significant non-operating decisions and provides multi-step formulas to determine distributions to the various partners upon ultimate disposition. The Organization accounts for these investments on the equity basis for financial reporting purposes.

Deferred issuance costs – Debt issuance costs related to mortgages are amortized over the term of the mortgage loan using the straight-line method. Compliance fees and tax credit fees are amortized over 10 years and are reported in the statement of functional expenses as interest expense.

Deferred revenue - Deferred revenue relates to the unearned portion of the developer fee related to the Carson Square LDHALP project. For the years ended September 30, 2018 and 2017, the deferred developer fee was \$0 and \$100,000, respectively.

Advertising costs - Advertising costs are expensed as incurred and were \$87,544 and \$158,231 for the years ended September 30, 2018 and 2017, respectively.

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 the contract terms with the funding agencies.

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (Concluded)

Functional allocation of expenses - The costs of providing various program and support services has been summarized on a functional basis and is presented in the consolidated statements of functional expenses. Indirect costs have been all allocated between the various programs and support services based on estimates, as determined by management.

Use of estimates - Preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management's estimates primarily related to the allocation of functional expenses, depreciation expense, 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 may differ from these estimates.

Prior year summarized comparative information - The consolidated statements of activities include prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended September 30, 2017 from which the summarized information was derived.

Reclassification - Certain amounts reported for 2017 have been reclassified to conform to the 2018 presentation. These reclassifications had no impact on previously reported consolidated net assets and change in consolidated net assets.

NOTE 2 - NATURE OF ORGANIZATION, RISKS AND UNCERTAINTIES

The Organization'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. The Organization serves the northern Michigan region through the following:

Retail operations - The Organization 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.

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - NATURE OF ORGANIZATION, RISKS AND UNCERTAINTIES (Continued)

Housing - The Organization 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 through the following programs.

- The Street Outreach Program assists adults who are living on the streets to 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.
- Carson Square apartments offer permanent supportive housing to those who are homeless, victims of domestic violence, or special needs.

Jobs - The Organization transforms lives through the power of work. Job seekers work one-on-one with the Organization's 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. The Organization's job training programs include retail and customer service, food service, and commercial cleaning.

Food - The Organization works to ensure that insecure families are provided with the nutritional resources needed to perform to their fullest capacity. Hot meals produced daily by the Organization's 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. Through its Farm to Freezer program, the Organization 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.

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - NATURE OF ORGANIZATION, RISKS AND UNCERTAINTIES (Concluded)

The Organization is required to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash, investments, and receivables. Credit risk with respect to receivables is limited by the Organization which has established policies for extending credit based upon factors surrounding the credit risk of specific customers, historical trends and other information.

The Organization's cash and cash equivalent accounts are subject to the Federal Deposit Insurance Corporation (FDIC) insurance limit of \$250,000 per financial institution. At various times during the year, the Organization's cash and cash equivalent account balances may exceed this amount in the normal course of business. At September 30, 2018, the cash and cash equivalent account balances exceeded this limit by approximately \$820,000. Other investments are not covered by FDIC insurance.

The Organization invests in various investment mutual funds, corporate bonds and government securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of the investment securities will occur in the near term and such changes could affect the amounts reported in the consolidated financial statements.

The Internal Revenue Service has ruled the Organization and GWH to be qualified under Section 501(c)(3) of the Internal Revenue Code, and is, therefore, not subject to tax under present federal income tax laws. Carson Square, LLC and Carson Square Goodwill, LLC are Michigan limited liability companies owned solely by the Organization. Carson Square, LLC is taxed as a corporation effective for the year ending December 31, 2016. For the years ended September 30, 2018 and 2017, there was an insignificant taxable loss. Carson Square Goodwill, LLC, has elected to have their existence ignored for income tax purposes, and their activities are included with the activities of the Organization for income tax purposes. Accordingly, these consolidated financial statements do not reflect a provision for income taxes and the Organization has no other tax positions which must be considered for disclosure. In the preparation of tax returns, tax positions are taken based on interpretation of federal, state and local income tax laws. Management periodically reviews and evaluates the status of uncertain tax positions and makes estimates of amounts, including interest and penalties, ultimately due or owed. No amounts have been identified, or recorded, as uncertain tax positions. Federal, state and local tax returns generally remain open for examination by various taxing authorities for a period of three to four years.

The Organization evaluates events and transactions that occur after year end for potential recognition or disclosure in the consolidated financial statements. These subsequent events have been considered through January 23, 2019, which is the date the consolidated financial statements were available to be issued.

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - RECEIVABLES

Receivables are summarized as follows at September 30:

	<u>2018</u>	<u>2017</u>
Grant awards	\$ 21,734	\$ 41,289
Program service fees and other sources	210,479	216,309
Subtotal	<u>232,213</u>	<u>257,598</u>
Less allowance for doubtful accounts	<u>2,000</u>	<u>2,000</u>
Receivables - net	<u><u>\$ 230,213</u></u>	<u><u>\$ 255,598</u></u>

NOTE 4 - INVESTMENTS

Investments consist of the following at September 30, 2018:

	<u>Fair value</u>	<u>Cost</u>	<u>Unrealized gain (loss)</u>
Investments:			
Mutual funds:			
Equity	\$ 511,506	\$ 359,866	\$ 151,640
Fixed income	<u>864,214</u>	<u>888,243</u>	<u>(24,029)</u>
Total assets at fair value	<u><u>\$ 1,375,720</u></u>	<u><u>\$ 1,248,109</u></u>	<u><u>\$ 127,611</u></u>

Investments consist of the following at September 30, 2017:

	<u>Fair value</u>	<u>Cost</u>	<u>Unrealized gain (loss)</u>
Investments:			
Mutual funds:			
Equity	\$ 412,052	\$ 265,217	\$ 146,835
Fixed income	<u>731,706</u>	<u>736,684</u>	<u>(4,978)</u>
Total assets at fair value	<u><u>\$ 1,143,758</u></u>	<u><u>\$ 1,001,901</u></u>	<u><u>\$ 141,857</u></u>

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - FAIR VALUE MEASUREMENTS

The Organization is required to disclose amounts within a framework established for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2: Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets or liabilities in inactive markets;
 - inputs other than quoted prices that are observable for the asset or liabilities;
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liabilities fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used at September 30, 2018 and 2017.

Mutual funds: Valued at the daily closing price as reported by the fund. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds are deemed to be actively traded.

Interest rate swap: Valued using Level 2 inputs and estimated based on term and interest rate factors.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - FAIR VALUE MEASUREMENTS (Concluded)

The following is a market value summary by the level of inputs used as of September 30, 2018 and 2017, in evaluating the Organizations assets carried at fair value. The inputs methodology used for valuing securities may not be indicative of the risk associated with investors in those securities.

2018	Level 1	Level 2	Level 3	Total
Assets:				
Mutual funds - equity:				
Small blend	\$ 46,463	\$ -	\$ -	\$ 46,463
Mid-Cap blend	90,896	-	-	90,896
Large blend	328,687	-	-	328,687
Large growth	45,460	-	-	45,460
Mutual funds - fixed income:				
Corporate bond	109,833	-	-	109,833
Short-term bond	315,099	-	-	315,099
Intermediate-term bond	359,901	-	-	359,901
High-yield bond	79,381	-	-	79,381
Total mutual funds	<u>1,375,720</u>	<u>-</u>	<u>-</u>	<u>1,375,720</u>
Total assets	<u>\$ 1,375,720</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,375,720</u>
2017	Level 1	Level 2	Level 3	Total
Assets:				
Mutual funds - equity:				
Small blend	\$ 47,824	\$ -	\$ -	\$ 47,824
Mid-Cap blend	91,800	-	-	91,800
Large blend	255,657	-	-	255,657
Large growth	16,772	-	-	16,772
Mutual funds - fixed income:				
Corporate bond	98,170	-	-	98,170
Short-term bond	275,043	-	-	275,043
Intermediate-term bond	288,521	-	-	288,521
High-yield bond	69,971	-	-	69,971
Total mutual funds	<u>1,143,758</u>	<u>-</u>	<u>-</u>	<u>1,143,758</u>
Total assets	<u>\$ 1,143,758</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,143,758</u>
Liabilities - interest rate swap	<u>\$ -</u>	<u>\$ 6,468</u>	<u>\$ -</u>	<u>\$ 6,468</u>

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - INVENTORY

Inventory consists of the following at September 30:

	<u>2018</u>	<u>2017</u>
Donated goods	\$ 346,163	\$ 346,200
Other - purchased goods for sale	136,144	166,378
Total inventory	<u>\$ 482,307</u>	<u>\$ 512,578</u>

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at September 30:

	Life (in years)	<u>2018</u>	<u>2017</u>
Land		\$ 2,152,715	\$ 2,205,449
Building and improvements	7 - 40	14,086,533	14,038,920
Machinery and equipment	2 - 10	1,519,948	1,572,090
Transportation	5	1,040,324	1,078,789
Leasehold improvements	5 - 20	295,815	255,070
Furniture and fixtures	3 - 5	462,171	470,411
Construction in progress		2,297	825
		<u>19,559,803</u>	<u>19,621,554</u>
Accumulated depreciation		<u>6,032,116</u>	<u>5,517,889</u>
Total net property and equipment		<u>\$ 13,527,687</u>	<u>\$ 14,103,665</u>

Depreciation and amortization expense was \$726,160 and \$735,060 for 2018 and 2017, respectively.

The Organization maintains five vehicles, a phone system a copier, and a fork lift under capital leases for a total capitalized cost of \$577,837 and \$548,724 as of September 30, 2018 and 2017, respectively. The associated accumulated depreciation is \$314,404 and \$227,226 as of September 30, 2018 and 2017, respectively, with an associated depreciation expense of \$87,179 and \$77,150 for the years ended September 30, 2018 and 2017, respectively.

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 - RELATED PARTIES

The Organization is the 100% controlling owner in Carson Square, LLC who is a general partner in Carson Square Limited Dividend Housing Association Limited Partnership (Carson Square LDHALP), a multi-family residential estate project. The initial capital contribution and contributions for certain on-going operating expenses are expensed when paid. Condensed financial information, as of December 31, 2017 and 2016 for Carson Square LDHALP is as follows:

	<u>2017</u>	<u>2016</u>
Assets	\$ 5,617,371	\$ 6,014,717
Liabilities	1,991,763	5,555,869
Partners' equity	3,625,608	458,848
Revenues	281,330	192,826
Net loss	(415,428)	(190,431)

The effect on the Organization's consolidated financial statements of not consolidating the financial statements of Carson Square LDHALP, as required by accounting principles generally accepted in the United States of America, have not been determined.

The Organization had a receivable from Carson Square LDHALP of \$85,380 and \$523,841 at September 30, 2018 and 2017, respectively, consisting of predevelopment costs and expenses paid on behalf of Carson Square LDHALP. The predevelopment costs incurred are reimbursable when the related project is ultimately developed. In addition, the Organization is named as a developer on the project and received payments of \$496,831 and \$0 in developer fees for the years ended September 30, 2018 and 2017, of which \$133,253 and \$0 was recognized as revenue in 2018 and 2017, respectively.

NOTE 9 - LONG-TERM DEBT AND CAPITAL LEASES

Long-term debt and capital leases consist of the following at September 30:

	<u>2018</u>	<u>2017</u>
Michigan Strategic Fund bond, requiring semiannual redemptions ranging from \$65,000 to \$105,000, due on April 1 and October 1, with interest charged at the floating LIBOR (a 1.52% and 1.06% effective rate as of September 30, 2018 and 2017, respectively). The loan is guaranteed by GWH, secured by a letter of credit, and matures on October 1, 2027.	\$ 1,610,000	\$ 1,735,000
Mortgage loan payable for the Alpena retail store requiring monthly principal payments of \$9,914 with interest charged at 3.50% per annum based on a year of 360 days, and matures on May 1, 2023. The loan is guaranteed by GWH and collateralized by the Alpena retail store building.	502,477	601,700

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 - LONG-TERM DEBT AND CAPITAL LEASES (Continued)

	2018	2017
Mortgage loan payable for the Acme retail store requiring monthly principal payments of \$12,985 with interest charged at 3.82% per annum based on a year of 360 days, and matures on June 24, 2023. The loan is guaranteed by GWH and collateralized by the Acme retail store building.	\$ 674,964	\$ 801,935
Mortgage loan payable for Patroit Place requiring monthly principal payments of \$3,367, bearing interest at 5.50% per year, and matures on August 15, 2027. The note payable is collateralized by the Organization's investments.	283,330	307,202
Grand Traverse County Department of Public Works note payable requiring monthly installments of \$603, including interest at 4.00%. The note is due in December 2021 and is not collateralized.	23,337	31,184
GWI vehicle capital leases, payable in monthly installments ranging from \$384 to \$1,470 (total monthly payments of \$6,069), with varying maturities through May 2023.	236,161	304,665
Mortgage loan payable for the Charlevoix retail store requiring monthly principal payments of \$3,115 with interest charged at 3.65% per annum based on a year of 360 days, and matures on March 6, 2025. The loan is guaranteed by GWH and is collateralized by the Charlevoix retail store building.	215,664	242,118
Mortgage loan payable for a warehouse requiring monthly principal payments of \$14,743 with interest charged at 3.60% per annum based on a year of 360 days and matures on December 2, 2024. The loan is collateralized by the warehouse building.	987,203	1,113,981
Mortgage loan payable for Patriot Place monthly principal payments of \$7,059 with interest charged at 3.73% per annum and matures on October 8, 2020. The loan is collateralized by the Patriot Place property.	169,453	246,179
GWH copier capital lease, payable in monthly installments of \$182 for 36 months maturing September 2020.	4,371	-
Subtotal	4,706,960	5,383,964
Less current portion	748,621	706,264
Total long-term debt and capital leases	\$ 3,958,339	\$ 4,677,700

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 - LONG-TERM DEBT AND CAPITAL LEASES (Concluded)

The payments on long-term debt and capital leases for the years succeeding September 30, 2018 are as follows:

Year ending September 30,	
2019	\$ 748,621
2020	734,031
2021	674,796
2022	678,413
2023	597,100
Thereafter	1,273,999
Total	\$ 4,706,960

The Organization has an available demand line of credit with maximum borrowings of \$500,000. This demand line of credit bears interest at a variable rate equal to 2.25% over the independent index or LIBOR (4.51% at September 30, 2018). There were no borrowings outstanding at September 30, 2018 and 2017. The demand line of credit has no maturity date and is reviewed annually by the lender. The next review date is October 15, 2019.

Under the terms of the Michigan Strategic Fund bond agreement, the Organization 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, the Organization 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%), expires on October 15, 2019.

The Organization 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, 2018 and 2017, the outstanding swap agreement had a total principal and notional amount of \$0 and \$1,400,000, respectively. This agreement changes the Organization's interest rate exposure of the bond due on October 1, 2027 to an average fixed rate of 7.14%. The interest rate swap is based on the difference between LIBOR plus 1.80% and the average fixed rate. The interest rate swap agreement matured 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 non-operating activities. Net realized gain on the swap totaled \$6,468 and \$41,590 in 2018 and 2017, respectively.

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 - OPERATING LEASES

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

As of September 30, 2018, future minimum lease payments required under the operating leases, which have an initial or remaining non-cancelable lease term in excess of one year, are summarized as follows:

Year ending September 30	
2019	\$ 487,967
2020	470,259
2021	330,106
2022	301,963
2023	255,161
Thereafter	-
	\$ 1,845,456

Total rent expense on these leases for 2018 and 2017 was \$527,617 and \$529,168, respectively.

NOTE 11 - RETIREMENT PLAN

The Organization 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. The Organization has the option to make a discretionary match contribution at a rate of 100% of the employees' percentage deferral up to a maximum of 3%. The Organization's contributions to the plan amounted to \$0 and \$40,697 for the years ended September 30, 2018 and 2017, respectively.

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at year-end consist of the following at September 30:

	<u>2018</u>	<u>2017</u>
Purpose restricted:		
Workers on wheels car donation program	\$ 14,343	\$ 33,926
Rotary Charities grant for the Grand Traverse County Homeless Response System Shelter Partnership Planning program.	7,500	-
Grand Traverse Regional Community Foundation grant for the purchase of a commercial washer.	2,500	-
Rotary Club of Traverse City grant for the purchase of a computer.	800	-
Total temporarily restricted net assets	<u>\$ 25,143</u>	<u>\$ 33,926</u>

Temporarily restricted net assets released from donor restrictions consist of the following for the year ended September 30:

	<u>2018</u>	<u>2017</u>
Purposed restriction satisfied:		
Workers on wheels car donation program	\$ 111,091	\$ 104,593
Total temporarily restricted net assets released	<u>\$ 111,091</u>	<u>\$ 104,593</u>

NOTE 13 - NEW ACCOUNTING STANDARD

In April 2015, the FASB issued ASU No. 2015-03, “Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs.” ASU No. 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability. The Organization adopted ASU No. 2015-03 for the year ending September 30, 2018. The September 30, 2017 comparative information has been reclassified to conform with the current year presentation. The adoption of this guidance did not have a significant impact on the Organization’s consolidated financial statements.

NOTE 14 - SUBSEQUENT EVENT

As of October 1, 2018, the Organization is combining the operations of its affiliate, G.W. Homeless Services of Northern Michigan, Inc., into Goodwill Industries of Northern Michigan.

SUPPLEMENTARY INFORMATION

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
YEAR ENDED SEPTEMBER 30, 2018
(with summary totals for September 30, 2017)

	Goodwill Industries of Northern Michigan, Inc.	G.W. Homeless Services of Northern Michigan, Inc.	Carson Square, LLC	Carson Square Goodwill, LLC	Eliminations	Totals	
						2018	2017
ASSETS							
CURRENT ASSETS:							
Cash and cash equivalents	\$ 1,283,493	\$ 31,273	\$ -	\$ -	\$ -	\$ 1,314,766	\$ 581,669
Investments	1,375,720	-	-	-	-	1,375,720	1,143,758
Accounts receivable - net allowance	176,135	54,078	100	-	-	230,313	255,598
Prepaid expenses	72,634	-	-	-	-	72,634	137,067
Inventory	482,307	-	-	-	-	482,307	512,578
Intercompany receivable	1,662,124	-	-	596,831	(2,258,955)	-	-
Accounts receivable - Carson Square LDHALP	85,380	-	-	-	-	85,380	523,841
Current portion of note receivable	40,000	-	-	-	-	40,000	20,000
TOTAL CURRENT ASSETS	5,177,793	85,351	100	596,831	(2,258,955)	3,601,120	3,174,511
PROPERTY AND EQUIPMENT, less accumulated depreciation	10,384,869	3,142,818	-	-	-	13,527,687	14,103,665
OTHER ASSETS:							
Investment in subsidiaries	596,099	-	122,730	-	(596,099)	122,730	122,730
Long-term note receivable	60,000	-	-	-	-	60,000	80,000
TOTAL ASSETS	\$ 16,218,761	\$ 3,228,169	\$ 122,830	\$ 596,831	\$ (2,855,054)	\$ 17,311,537	\$ 17,480,906

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
YEAR ENDED SEPTEMBER 30, 2018
(with summary totals for September 30, 2017)

	Industries of Northern Michigan, Inc.	Services of Northern Michigan, Inc.	Carson Square, LLC	Carson Square Goodwill, LLC	Eliminations	Totals	
						2018	2017
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES:							
Accounts payable	\$ 199,200	\$ 20,771	\$ -	\$ -	\$ -	\$ 219,971	\$ 221,840
Intercompany payable	596,831	1,538,562	123,562	-	(2,258,955)	-	-
Current portion of debt and capital leases	739,193	9,428	-	-	-	748,621	706,264
Deferred revenue	-	-	-	-	-	-	100,000
Accrued expenses	471,451	1,629	-	-	-	473,080	427,350
TOTAL CURRENT LIABILITIES	2,006,675	1,570,390	123,562	-	(2,258,955)	1,441,672	1,455,454
LONG-TERM LIABILITIES:							
Capital lease	236,161	4,371	-	-	-	240,532	304,665
Long-term debt, less current portion	3,703,898	13,909	-	-	-	3,717,807	4,373,035
Debt issuance costs, net	(33,796)	-	-	-	-	(33,796)	(38,279)
Interest rate swap	-	-	-	-	-	-	6,468
TOTAL LIABILITIES	5,912,938	1,588,670	123,562	-	(2,258,955)	5,366,215	6,101,343
NET ASSETS:							
Unrestricted:							
Undesignated	8,880,680	1,639,499	(732)	596,831	(596,099)	10,520,179	9,945,637
Designated:							
Board designated	1,400,000	-	-	-	-	1,400,000	1,400,000
Total unrestricted net assets	10,280,680	1,639,499	(732)	596,831	(596,099)	11,920,179	11,345,637
Temporarily restricted	25,143	-	-	-	-	25,143	33,926
TOTAL NET ASSETS	10,305,823	1,639,499	(732)	596,831	(596,099)	11,945,322	11,379,563
TOTAL LIABILITIES AND NET ASSETS	\$ 16,218,761	\$ 3,228,169	\$ 122,830	\$ 596,831	\$ (2,855,054)	\$ 17,311,537	\$ 17,480,906

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2018
(with summary totals for September 30, 2017)

	Goodwill Industries of Northern Michigan, Inc.		G.W. Homeless Services of Northern Michigan, Inc.	Carson Square, LLC	Carson Square Goodwill, LLC	Eliminations	Totals	
	Unrestricted	Temporarily restricted	Unrestricted	Unrestricted	Unrestricted		2018	2017
NET ASSETS:								
Revenue and support:								
Retail sales	\$ 8,640,296	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,640,296	\$ 8,896,617
Contributions - donated inventory	3,703,444	5,838	-	-	-	-	3,709,282	3,728,789
Grants	480,414	10,800	275,644	-	-	-	766,858	742,919
Program service fees	624,936	62,123	430,791	-	133,253	-	1,251,103	1,149,729
Contributions - other	240,841	23,547	152,977	-	-	-	417,365	369,321
Investment income - unrestricted	34,298	-	20	-	-	-	34,318	23,183
Other income	166,841	-	22,563	-	-	-	189,404	199,411
Released from restrictions	111,091	(111,091)	-	-	-	-	-	-
Total revenue and support	14,002,161	(8,783)	881,995	-	133,253	-	15,008,626	15,109,969
Expenses:								
Program:								
Retail operations	10,320,408	-	-	-	-	-	10,320,408	10,531,753
Housing services	791,502	-	1,024,541	-	-	-	1,816,043	1,724,039
Food services	1,109,926	-	-	-	-	-	1,109,926	1,263,357
Jobs services	127,423	-	-	-	-	-	127,423	165,524
Total program expense	12,349,259	-	1,024,541	-	-	-	13,373,800	13,684,673
Support services:								
Management and general	819,060	-	81,904	812	-	-	901,776	941,093
Fundraising	195,032	-	-	-	-	-	195,032	176,037
Total support services	1,014,092	-	81,904	812	-	-	1,096,808	1,117,130
Total expenses	13,363,351	-	1,106,445	812	-	-	14,470,608	14,801,803
Change in unrestricted net assets - operating	638,810	(8,783)	(224,450)	(812)	133,253	-	538,018	308,166

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2018
(with summary totals for September 30, 2017)

	Goodwill Industries of Northern Michigan, Inc.		G.W. Homeless Services of Northern Michigan, Inc.	Carson Square, LLC	Carson Square Goodwill, LLC	Eliminations	Totals	
	Unrestricted	Temporarily restricted	Unrestricted	Unrestricted	Unrestricted		2018	2017
NONOPERATING ACTIVITIES:								
Net gains from sales of property and equipment	\$ 3,003	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,003	\$ 88,629
Net realized/unrealized gains (losses) on investment securities	18,270	-	-	-	-	-	18,270	46,168
Change in fair value of interest rate swap	6,468	-	-	-	-	-	6,468	41,590
Income from subsidiaries	132,441	-	-	-	-	(132,441)	-	-
Loss from Carson Square LDHALP	-	-	-	-	-	-	-	(13)
Capital contributions	-	-	-	-	-	-	-	68,750
Total nonoperating activities	160,182	-	-	-	-	(132,441)	27,741	245,124
TOTAL CHANGE IN NET ASSETS	798,992	(8,783)	(224,450)	(812)	133,253	(132,441)	565,759	553,290
NET ASSETS, beginning of year	9,481,688	33,926	1,863,949	80	463,578	(463,658)	11,379,563	10,826,273
NET ASSETS, end of year	<u>\$ 10,280,680</u>	<u>\$ 25,143</u>	<u>\$ 1,639,499</u>	<u>\$ (732)</u>	<u>\$ 596,831</u>	<u>\$ (596,099)</u>	<u>\$ 11,945,322</u>	<u>\$ 11,379,563</u>