

**GOODWILL INDUSTRIES OF NORTHERN MICHIGAN
AND AFFILIATES**

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

YEARS ENDED SEPTEMBER 30, 2017 AND 2016

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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 statement of financial position as of September 30, 2017 and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, 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 audit. We conducted our audit 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 1 and Note 8 to the consolidating financial statements, Goodwill Industries of Northern Michigan's consolidated financial statements do not include the accounts of real estate partnership that the entity has determined is a variable interest entity and in which the entity maintains variable indirect interest. In our opinion, Goodwill Industries of Northern Michigan's consolidated financial statements should include the accounts of the real estate partnership to conform with accounting principles generally accepted in the United States of America. Quantification of the effects of this departure from generally accepted accounting principles on the consolidated financial position, results of operations, and cash flows of Goodwill Industries of Northern Michigan is not practicable.

Qualified Opinion

In our opinion, except for the effects of not including the accounts of the real estate partnership in the accompanying consolidated financial statements as explained in the Basis of 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 as of September 30, 2017, and the changes in its consolidated net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United State of America.

Adjustments to Prior Period Financial Statements

The consolidated financial statements of Goodwill Industries of Northern Michigan as of September 30, 2016, were audited by other auditors whose report dated February 15, 2017, expressed an unmodified opinion on those statements. As discussed in the Basis for Qualified Opinion, the Organization has chosen to not include the accounts of the real estate partnership in the accompanying consolidated financial statements. The other auditors reported on the consolidated financial statements before the adjustment and have been restated to conform with the current year presentation. We were not engaged to audit, review, or apply any procedures to Goodwill Industries of Northern Michigan's 2016 consolidated financial statements, accordingly, we do not express an opinion or any other form of assurance on the 2016 consolidated financial statements as a whole.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2017 supplementary information, on the pages noted 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 audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated in all material respects in relation to the consolidated financial statements as a whole. The 2016 supplementary information, on the pages noted in the table of contents, was subjected to the auditing procedures applied in the 2016 audit of the basic consolidated financial statements by other auditors, whose report on such information stated that it was fairly stated in all material respects in relation to the 2016 consolidated financial statements as a whole.

Manes Costeiran PC

February 21, 2018

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2017 AND 2016

	2017	2016 (as restated)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 581,669	\$ 411,878
Investments	1,143,758	1,039,897
Accounts receivable	315,861	382,260
Prepaid expenses	137,067	141,438
Inventory	512,578	655,569
Accounts receivable - LDHALP	463,578	463,578
Current portion of note receivable	20,000	-
TOTAL CURRENT ASSETS	3,174,511	3,094,620
PROPERTY AND EQUIPMENT, less accumulated depreciation	14,103,665	14,752,635
INVESTMENT IN SUBSIDIARY	122,730	53,993
LONG-TERM NOTE RECEIVABLE	80,000	-
OTHER ASSETS	38,279	42,763
TOTAL ASSETS	\$ 17,519,185	\$ 17,944,011
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 221,840	\$ 349,519
Accounts payable - LDHALP	-	100
Current portion of long-term debt	706,264	675,467
Deferred revenue	100,000	100,000
Accrued expenses	427,350	588,961
Line of credit	-	-
TOTAL CURRENT LIABILITIES	1,455,454	1,714,047
LONG-TERM LIABILITIES:		
Capital lease	304,665	348,665
Long-term debt	4,373,035	5,006,967
Interest rate swap	6,468	48,059
TOTAL LONG-TERM LIABILITIES	4,684,168	5,403,691
TOTAL LIABILITIES	6,139,622	7,117,738
NET ASSETS:		
Unrestricted:		
Undesignated	9,945,637	9,426,273
Board designated	1,400,000	1,400,000
Total unrestricted net assets	11,345,637	10,826,273
Temporarily restricted	33,926	-
TOTAL NET ASSETS	11,379,563	10,826,273
TOTAL LIABILITIES AND NET ASSETS	\$ 17,519,185	\$ 17,944,011

See notes to consolidated financial statements.

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017			2016 (as restated)
	Unrestricted	Temporary restricted	Total	
NET ASSETS:				
Revenue and support:				
Retail sales	\$ 8,896,617	\$ -	\$ 8,896,617	\$ 9,296,486
Contributions - Donated inventory	3,719,923	8,866	3,728,789	3,861,303
Grants	717,919	25,000	742,919	757,857
Program service fees	1,063,921	85,808	1,149,729	1,823,274
Contributions - Other	350,476	18,845	369,321	409,437
Investment income	23,183	-	23,183	26,914
Other income	199,411	-	199,411	223,518
Released from restriction	104,593	(104,593)	-	-
Total revenue and support	<u>15,076,043</u>	<u>33,926</u>	<u>15,109,969</u>	<u>16,398,789</u>
Expenses:				
Program services	13,684,673	-	13,684,673	14,593,952
Fundraising	176,037	-	176,037	208,892
Management and general	941,093	-	941,093	1,285,917
Total expenses	<u>14,801,803</u>	<u>-</u>	<u>14,801,803</u>	<u>16,088,761</u>
Change in unrestricted net assets	<u>274,240</u>	<u>33,926</u>	<u>308,166</u>	<u>310,028</u>

See notes to consolidated financial statements.

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017			2016 (as restated)
	Unrestricted	Temporary restricted	Total	
NONOPERATING ACTIVITIES:				
Net gain from sales of property and equipment	\$ -	\$ -	\$ -	\$ 12,578
Net realized/unrealized gain (loss) on investment securities	134,797	-	134,797	52,664
Change in fair value of interest rate swap	41,590	-	41,590	56,968
Loss from Carson Square partnership	(13)	-	(13)	(7)
Capital contributions	68,750	-	68,750	-
Total nonoperating activities	245,124	-	245,124	122,203
TOTAL CHANGE IN NET ASSETS	519,364	33,926	553,290	432,231
NET ASSETS - beginning of year	10,826,273	-	10,826,273	10,394,042
NET ASSETS - end of year	<u>\$ 11,345,637</u>	<u>\$ 33,926</u>	<u>\$ 11,379,563</u>	<u>\$ 10,826,273</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 STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2016

	Program services					Supporting services			Total expenses
	Retail operations	Housing	Jobs	Food	Total	Management and general	Fundraising	Total	
EXPENSES:									
Salaries and wages	\$ 3,037,947	\$ 887,685	\$ 321,805	\$ 431,853	\$ 4,679,290	\$ 734,023	\$ 114,890	\$ 848,913	\$ 5,528,203
Employee benefits	374,715	114,742	21,994	91,821	603,272	97,953	15,922	113,875	717,147
Payroll taxes	250,367	76,094	19,935	41,947	388,343	72,990	9,844	82,834	471,177
Total salaries and related benefits	3,663,029	1,078,521	363,734	565,621	5,670,905	904,966	140,656	1,045,622	6,716,527
Cost of goods sold	3,767,002	-	-	558,606	4,325,608	-	-	-	4,325,608
Cost of goods sold - purchased	568,685	-	-	-	568,685	-	-	-	568,685
Rent and lease expense	529,860	-	-	-	529,860	-	-	-	529,860
Interest	178,590	21,081	1,456	670	201,797	15,458	-	15,458	217,255
Depreciation and amortization	375,641	187,503	2,730	105,317	671,191	49,816	-	49,816	721,007
Supplies and purchases	229,921	32,461	49,438	66,861	378,681	20,374	1,630	22,004	400,685
Utilities	174,420	75,237	1,211	1,520	252,388	24,065	-	24,065	276,453
Bad debts	2,001	-	-	(87)	1,914	-	-	-	1,914
Direct client assistance	-	233,017	3,110	-	236,127	1,200	-	1,200	237,327
Advertising	147,038	14,738	6,266	11,511	179,553	662	3,343	4,005	183,558
Insurance	52,815	19,207	1,847	6,312	80,181	14,646	699	15,345	95,526
Dues	90,872	11,505	1,736	9,948	114,061	2,005	2,513	4,518	118,579
Garbage	90,905	5,983	489	230	97,607	1,830	-	1,830	99,437
Repairs and maintenance	187,929	87,608	6,193	18,476	300,206	42,070	1,893	43,963	344,169
Telephone and cable	57,704	28,647	4,290	5,358	95,999	11,008	1,251	12,259	108,258
Vehicle	46,601	6,318	1,240	35,718	89,877	7,649	-	7,649	97,526
Professional fees	55,701	67,276	4,930	8,690	136,597	53,924	3,103	57,027	193,624
Miscellaneous	44,364	(44,416)	7,655	(14,092)	(6,489)	67,912	51,959	119,871	113,382
Travel	15,680	13,942	975	4,595	35,192	9,402	587	9,989	45,181
Conventions and meetings	415	1,039	272	66	1,792	5,620	756	6,376	8,168
Office supplies	7,894	8,834	269	910	17,907	1,993	-	1,993	19,900
Postage	277,633	1,642	369	639	280,283	2,571	502	3,073	283,356
Annual bond financing	8,662	122	593	273	9,650	6,294	-	6,294	15,944
Service charges	254,789	1,407	405	2,412	259,013	10,311	-	10,311	269,324
Carson Square	-	100,000	-	-	100,000	-	-	-	100,000
Total expenses	<u>\$ 10,828,151</u>	<u>\$ 1,951,672</u>	<u>\$ 459,208</u>	<u>\$ 1,389,554</u>	<u>\$ 14,628,585</u>	<u>\$ 1,253,776</u>	<u>\$ 208,892</u>	<u>\$ 1,462,668</u>	<u>\$ 16,091,253</u>

See notes to consolidated financial statements.

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017	2016 (as restated)
INCREASE (DECREASE) IN CASH:		
AND CASH EQUIVALENTS:		
Cash flows from operating activities:		
Change in net assets	\$ 553,290	\$ 432,231
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	735,060	721,007
Gain on sale of property and equipment	-	(12,578)
Bad debt	4,413	1,914
Amortization of debt costs (interest expense)	4,484	5,904
Net realized/unrealized (gain) loss on investment securities	(134,797)	(479,128)
Change in fair value of interest rate swap	(41,591)	(56,968)
Loss from Carson Square partnership	13	7
Accounts receivable	61,986	(124,716)
Receivable from LDHA	-	(426,578)
Inventory	142,991	9,048
Prepaid expenses and other assets	4,371	(1,405)
Accounts payable	(127,679)	48,481
Accounts payable - LDHA	(100)	100
Accrued expenses	(161,611)	(184,971)
Deferred revenues	-	100,000
Total adjustments	487,540	(399,883)
Net cash provided by operating activities	1,040,830	32,348
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	30,936	434,101
Capital contributions to Carson Square LDHA LP	(68,750)	
Purchase of property and equipment	(88,340)	(552,843)
Proceeds from disposition of property and equipment	2,250	12,600
Net cash used by investing activities	(123,904)	(106,142)
Cash flows from financing activities:		
Repayment of long-term debt	(679,943)	(591,088)
Note receivable	(100,000)	-
Proceeds from issuance of debt	32,808	617,888
Net cash provided (used) by financing activities	(747,135)	26,800
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	169,791	(46,994)
CASH AND CASH EQUIVALENTS:		
Beginning of year	411,878	458,872
End of year	\$ 581,669	\$ 411,878
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	\$ 198,190	\$ 232,460

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. 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 \$99,633 and \$105,721 for the years ended September 30, 2017 and 2016, 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, 2017 and 2016. The Board of Directors has designated \$1,400,000 of net assets for program expansion as of September 30, 2017 and 2016, 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 3 months or less.

Investments - Investments are stated at fair value. Investment income or loss (including gains and losses on investments, interest and dividends) is included in the consolidated statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

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 the years ended September 30, 2017 and 2016, an allowance for bad debts was recorded in the amount of \$2,000 and \$1,000, respectively.

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 \$1,000, 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 missions, 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 finance costs - Finance 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 project. For both years ended September 30, 2017 and 2016, the deferred developer fee was \$100,000.

Advertising costs - Advertising costs are expensed as incurred and were \$158,231 and \$183,558 for the years ended September 30, 2017 and 2016, 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 program and support services have been reported on a functional basis in the consolidated statement of activities. Indirect costs have been all allocated between the various programs and support services based on estimates, as determined by management.

Income tax status - 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 was taxed as a partnership upon its creation in 2015, and there was no operating income to report for December 31, 2015. It filed an election to be taxed as a corporation effective for the year ending December 31, 2016. For the years ended September 30, 2017 and 2016, 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 3 to 4 years.

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 could differ from those estimates.

Reclassification - Certain reclassifications were made to amounts in the 2016 consolidated financial statements to conform to the classifications used in 2017.

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

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.

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.

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

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

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.

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.

The Organization's cash accounts are subject to the Federal Deposit Insurance Corporation (FDIC) insurance limit of \$250,000 per financial institution. Although such cash balances may exceed federally insured limits at certain times during the year and at year-end they are, in the opinion of management, subject to minimal risk. 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 materially affect the amounts reported in the financial statements.

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 February 21, 2018, which is the date the consolidated financial statements were available to be issued.

NOTE 3 - RECEIVABLES

Receivables are summarized as follows at September 30:

	2017	2016
Grant awards	\$ 41,289	\$ 90,060
Program service fees and other sources	276,572	293,200
Subtotal	317,861	383,260
Less allowance for doubtful accounts	2,000	1,000
Receivables - net	\$ 315,861	\$ 382,260

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

NOTE 4 - INVESTMENTS

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	731,706	736,684	(4,978)
Total assets at fair value	<u>\$ 1,143,758</u>	<u>\$ 1,001,901</u>	<u>\$ 141,857</u>

Investments consist of the following at September 30, 2016:

	<u>Fair value</u>	<u>Cost</u>	<u>Unrealized gain (loss)</u>
Investments:			
Mutual funds:			
Equity	\$ 357,478	\$ 232,746	\$ 124,732
Fixed income	682,419	682,756	(337)
Total assets at fair value	<u>\$ 1,039,897</u>	<u>\$ 915,502</u>	<u>\$ 124,395</u>

NOTE 5 - FAIR VALUE MEASUREMENTS

The framework for measuring fair value 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.

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

NOTE 5 - FAIR VALUE MEASUREMENTS (Continued)

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the Organization's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available.

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 for assets measured at fair value. There have been no changes in the methodologies used at September 30, 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 table sets forth by level, within the fair value hierarchy, the Organization's fair value measurements at September 30, 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>

The following table sets forth by level, within the fair value hierarchy, the Organization's fair value measurements at September 30, 2016:

	Level 1	Level 2	Level 3	Total
Assets:				
Mutual funds - equity:				
Small blend	\$ 41,361	\$ -	\$ -	\$ 41,361
Mid-Cap blend	62,159	-	-	62,159
Large blend	210,518	-	-	210,518
World blend	43,440	-	-	43,440
Mutual funds - fixed income:				
Short-term bond	234,329	-	-	234,329
Intermediate-term bond	422,311	-	-	422,311
High-yield bond	25,779	-	-	25,779
Total mutual funds	<u>1,039,897</u>	<u>-</u>	<u>-</u>	<u>1,039,897</u>
Total assets	<u>\$ 1,039,897</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,039,897</u>
Liabilities - interest rate swap	<u>\$ -</u>	<u>\$ 48,059</u>	<u>\$ -</u>	<u>\$ 48,059</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>2017</u>	<u>2016</u>
Donated goods	\$ 346,200	\$ 355,933
Other - purchased goods for sale	166,378	299,636
Total inventory	<u>\$ 512,578</u>	<u>\$ 655,569</u>

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at September 30:

	Life <u>(in years)</u>	<u>2017</u>	<u>2016</u> (as restated)
Land		\$ 2,205,449	\$ 2,205,449
Building and improvements	7 - 40	14,038,920	14,022,849
Machinery and equipment	2 - 10	1,572,090	1,602,189
Transportation	5	1,078,789	1,086,289
Leasehold improvements	5 - 20	255,070	253,102
Furniture and fixtures	3 - 5	470,411	470,411
Construction in progress		825	-
		<u>19,621,554</u>	<u>19,640,289</u>
Accumulated depreciation		<u>5,517,889</u>	<u>4,887,654</u>
Total net property and equipment		<u>\$ 14,103,665</u>	<u>\$ 14,752,635</u>

Depreciation and amortization expense was \$735,060 and \$721,007 for 2017 and 2016, respectively.

The Organization maintains five vehicles and a phone system under capital leases for a total capitalized cost of \$548,724 and \$497,814 as of September 30, 2017 and 2016, respectively. The associated accumulated depreciation is \$227,226 and \$150,076 as of September 30, 2017 and 2016, respectively, with an associated depreciation expense of \$77,150 and \$55,685 for the years ended September 30, 2017 and 2016, respectively.

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

NOTE 8 - RELATED PARTIES

The Organization is the 100% controlling owner and general partner in Carson Square Limited Dividend Housing Association Limited Partnership (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 the most recent year end of the LDHALP is as follows:

Assets	\$ 6,014,717
Liabilities	5,555,869
Partners' equity	458,848
Revenues	192,826
Net loss	(190,431)

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

The Organization had a receivable from the LDHALP of \$463,578 at both September 30, 2017 and 2016 consisting of predevelopment costs. These predevelopment costs incurred are reimbursable when the related project is ultimately developed. In addition, the Organization is named as a developer on the project. No developer fees were received for both years ended September 30, 2017 and 2016.

NOTE 9 - LONG-TERM DEBT AND CAPITAL LEASES

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

	<u>2017</u>	<u>2016</u> (as restated)
Michigan Strategic Fund bond, requiring semiannual redemptions of \$50,000 to \$105,000, due on April 1 and October 1, with interest charged at the floating LIBOR (a 1.02% effective rate as of September 30, 2016). The loan is guaranteed by GWH, secured by a letter of credit, and matures on October 1, 2027.	\$ 1,735,000	\$ 1,855,000
Mortgage loan payable for the Alpena retail store requiring monthly principal payments of \$9,914 with interest charged at 3.50 percent 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.	601,700	697,462

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

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

	2017	2016 (as restated)
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.	\$ 801,935	\$ 924,128
Note payable 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.	307,202	329,790
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.	31,184	38,426
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.	304,665	348,665
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.	242,118	269,989
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.	1,113,981	1,247,577
Mortgage loan payable for Patriot Place requiring interest-only payments for the first 6 months. Beginning in May 2016, the note is payable in monthly principal payments of \$7,059 with interest charged at 3.73% per annum and matures in October 2020. The loan is collateralized by the Patriot Place property.	246,179	320,062
Subtotal	5,383,964	6,031,099
Less current portion	706,264	675,467
Total long-term debt and capital leases	\$ 4,677,700	\$ 5,355,632

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, 2017 are as follows:

Year ending September 30,	
2018	\$ 706,264
2019	732,645
2020	732,385
2021	675,355
2022	679,598
Thereafter	1,857,717
Total	\$ 5,383,964

The Organization has an available line of credit with maximum borrowings of \$500,000. This line of credit bears interest at a variable rate equal to 2.25% over the independent index or LIBOR (3.48% at September 30, 2017). There were no borrowings outstanding at September 30, 2017 and 2016. The line expires on October 15, 2018.

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, 2018.

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, 2017, the outstanding swap agreement had a total principal and notional amount of \$1,400,000. 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 matures in monthly intervals through November 1, 2017. This interest rate swap is recognized in the accompanying consolidated balance sheet at fair value. Changes in the fair value of the interest rate swap are recognized in non-operating activities. Net realized gain on the swap totaled \$41,590 and \$56,968 in 2017 and 2016, 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, 2017, 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:

<u>Year ending September 30</u>	
2018	\$ 383,484
2019	383,616
2020	363,691
2021	221,256
2022	221,256
Thereafter	221,256
	<u><u>\$ 1,794,559</u></u>

Total rent expense on these leases for 2017 and 2016 was \$529,168 and \$529,860, 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 contributions to the plan amounted to \$40,697 and \$76,991 for the years ended September 30, 2017 and 2016, respectively.

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

NOTE 12 – TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2017</u>	<u>2016</u>
Workers on wheels car donation program	<u>\$ 33,926</u>	<u>\$ -</u>

Net assets were released from donor restrictions by incurring expenses which satisfied the restricted purpose or by occurrence of other events specified by the donors. Below are the assets released from restrictions for the years ended September 30:

	<u>2017</u>	<u>2016</u>
Workers on wheels car donation program	<u>\$ 104,593</u>	<u>\$ 107,548</u>

SUPPLEMENTARY INFORMATION

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
YEAR ENDED SEPTEMBER 30, 2017
(with summary totals for September 30, 2016)

	Goodwill Industries of Northern Michigan, Inc.	G.W. Homeless Services of Northern Michigan, Inc.	Carson Square, LLC	Carson Square Goodwill, LLC	Eliminations	Totals	
						2017	2016 (as restated)
ASSETS							
CURRENT ASSETS:							
Cash and cash equivalents	\$ 568,247	\$ 13,422	\$ -	\$ -	\$ -	\$ 581,669	\$ 411,878
Investments	1,143,758	-	-	-	-	1,143,758	1,039,897
Accounts receivable - net allowance	280,575	35,286	-	-	-	315,861	382,260
Prepaid expenses	137,067	-	-	-	-	137,067	141,438
Inventory	512,578	-	-	-	-	512,578	655,569
Intercompany receivable	1,413,325	-	100	-	(1,413,425)	-	-
Accounts receivable - LDHALP	-	-	-	463,578	-	463,578	463,578
Current portion of note receivable	20,000	-	-	-	-	20,000	-
TOTAL CURRENT ASSETS	4,075,550	48,708	100	463,578	(1,413,425)	3,174,511	3,094,620
PROPERTY AND EQUIPMENT, less accumulated depreciation	10,922,841	3,180,824	-	-	-	14,103,665	14,752,635
OTHER ASSETS:							
Investment in subsidiaries	463,458	-	122,730	-	(463,458)	122,730	53,993
Long-term note receivable	80,000	-	-	-	-	80,000	-
Other assets	38,279	-	-	-	-	38,279	42,763
TOTAL ASSETS	\$ 15,580,128	\$ 3,229,532	\$ 122,830	\$ 463,578	\$ (1,876,883)	\$ 17,519,185	\$ 17,944,011

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
YEAR ENDED SEPTEMBER 30, 2017
(with summary totals for September 30, 2016)

	Goodwill Industries of Northern Michigan, Inc.	G.W. Homeless Services of Northern Michigan, Inc.	Carson Square, LLC	Carson Square Goodwill, LLC	Eliminations	Totals	
						2017	2016 (as restated)
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES:							
Accounts payable	\$ 207,822	\$ 14,018	\$ -	\$ -	\$ -	\$ 221,840	\$ 349,519
Intercompany payable	-	1,290,475	122,750	-	(1,413,225)	-	-
Accounts payable - LDHALP	-	-	-	-	-	-	100
Current portion of long-term debt	699,021	7,243	-	-	-	706,264	675,467
Deferred revenue	100,000	-	-	-	-	100,000	100,000
Accrued expenses	397,444	29,906	-	-	-	427,350	588,961
TOTAL CURRENT LIABILITIES	1,404,287	1,341,642	122,750	-	(1,413,225)	1,455,454	1,714,047
LONG-TERM LIABILITIES:							
Unearned rental income	-	-	-	-	-	-	-
Capital lease	304,665	-	-	-	-	304,665	348,665
Long-term debt, less current portion	4,349,094	23,941	-	-	-	4,373,035	5,006,967
Interest rate swap	6,468	-	-	-	-	6,468	48,059
TOTAL LIABILITIES	6,064,514	1,365,583	122,750	-	(1,413,225)	6,139,622	7,117,738
NET ASSETS:							
Unrestricted:							
Undesignated	8,081,688	1,863,949	80	463,578	(463,658)	9,945,637	9,426,273
Designated:							
Board designated	1,400,000	-	-	-	-	1,400,000	1,400,000
Total unrestricted net assets	9,481,688	1,863,949	80	463,578	(463,658)	11,345,637	10,826,273
Temporarily restricted	33,926	-	-	-	-	33,926	-
TOTAL NET ASSETS	9,515,614	1,863,949	80	463,578	(463,658)	11,379,563	10,826,273
TOTAL LIABILITIES AND NET ASSETS	\$ 15,580,128	\$ 3,229,532	\$ 122,830	\$ 463,578	\$ (1,876,883)	\$ 17,519,185	\$ 17,944,011

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2017
(with summary totals for September 30, 2016)

	Goodwill Industries of Northern Michigan, Inc.		G.W. Homeless Services of Northern Michigan, Inc.	Carson Square, LLC	Carson Square Goodwill, LLC	Eliminations	Totals	
	Unrestricted	Temporary restricted			2017		2016 (as restated)	
NET ASSETS:								
Revenue and support:								
Retail sales	\$ 8,896,617	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,896,617	\$ 9,296,486
Contributions - donated inventory	3,719,779	8,866	144	-	-	-	3,728,789	3,861,303
Grants	493,249	25,000	224,670	-	-	-	742,919	757,857
Program service fees	746,922	85,808	316,999	-	-	-	1,149,729	1,823,274
Contributions - other	213,487	18,845	136,989	-	-	-	369,321	409,437
Investment income - unrestricted	23,183	-	-	-	-	-	23,183	26,914
Other income	151,369	-	48,042	-	-	-	199,411	223,518
Released from restrictions	104,593	(104,593)	-	-	-	-	-	-
Total revenue and support	14,349,199	33,926	726,844	-	-	-	15,109,969	16,398,789
Expenses:								
Program:								
Retail operations	10,531,753	-	-	-	-	-	10,531,753	10,749,251
Housing services	622,397	-	1,101,642	-	-	-	1,724,039	1,817,234
Food services	1,293,707	-	(30,350)	-	-	-	1,263,357	1,480,638
Jobs services	166,225	-	(701)	-	-	-	165,524	446,829
Carson Square	-	-	-	-	-	-	-	100,000
Total program service expense	12,614,082	-	1,070,591	-	-	-	13,684,673	14,593,952
Support services:								
Management and general	863,691	-	77,402	-	-	-	941,093	1,285,917
Fundraising	176,037	-	-	-	-	-	176,037	208,892
Total support services	1,039,728	-	77,402	-	-	-	1,117,130	1,494,809
Total expenses	13,653,810	-	1,147,993	-	-	-	14,801,803	16,088,761
Change in unrestricted net assets - operating	695,389	33,926	(421,149)	-	-	-	308,166	310,028

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2017
(with summary totals for September 30, 2016)

	Goodwill Industries of Northern Michigan, Inc.		G.W. Homeless Services of Northern Michigan, Inc.		Carson Square, LLC	Carson Square Goodwill, LLC	Eliminations	Totals	
	Unrestricted	Temporary restricted						2017	2016 (as restated)
NONOPERATING ACTIVITIES:									
Net gains from sales of property and equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,578
Net realized/unrealized gains (losses) on investment securities	134,797	-	-	-	-	-	-	134,797	52,664
Change in fair value of interest rate swap	41,590	-	-	-	-	-	-	41,590	56,968
Income from subsidiaries	(13)	-	-	-	-	-	13	-	-
Income from Carson Square	-	-	-	-	(13)	-	-	(13)	(7)
Capital contributions	68,750	-	-	-	-	-	-	68,750	-
Total nonoperating activities	245,124	-	-	-	(13)	-	13	245,124	122,203
TOTAL CHANGE IN NET ASSETS	940,513	33,926	(421,149)	(13)	-	-	13	553,290	432,231
NET ASSETS, beginning of year	8,541,175	-	2,285,098	93	463,578	(463,671)		10,826,273	10,394,042
NET ASSETS, end of year	\$ 9,481,688	\$ 33,926	\$ 1,863,949	\$ 80	\$ 463,578	\$ (463,658)		\$ 11,379,563	\$ 10,826,273