

Goodwill  
Industries of  
Northern  
Michigan and  
Affiliates



Years Ended  
September 30,  
2021 and 2020

Consolidated  
Financial  
Statements  
and  
Supplementary  
Consolidating  
Information

**Rehmann**

# GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

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## INDEPENDENT AUDITORS' REPORT

June 27, 2022

Board of Directors  
Goodwill Industries of Northern Michigan and Affiliates  
Traverse City, Michigan

We have audited the accompanying consolidated financial statements of **Goodwill Industries of Northern Michigan and Affiliates** (Michigan not-for-profit corporations) (collectively the "Organization") which comprise the consolidated statements of financial position as of September 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

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

### ***Independent Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 auditor 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 Organization'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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.



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

***Basis for Qualified Opinion***

As more fully described in Note 6 to the consolidated financial statements, such consolidated financial statements do not include the accounts of a certain real estate partnership in which the Organization maintains a controlling financial indirect interest. Accounting principles generally accepted in the United States of America, in our opinion, require that this partnership be consolidated in ***Goodwill Industries of Northern Michigan and Affiliates'*** consolidated financial statements. The effects on the consolidated financial statements of this departure from accounting principles generally accepted in the United States of America have not been determined by management.

***Qualified Opinion***

In our opinion, except for the effects on the consolidated financial statements of not consolidating the real estate partnership as described in the *Basis For Qualified Opinion* paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ***Goodwill Industries of Northern Michigan and Affiliates*** as of September 30, 2021 and 2020, and the consolidated changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America (GAAP).

***Comparative Information***

In our opinion, the summarized comparative information presented within the consolidated statement of activities for the year ended September 30, 2020 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards* , we have also issued our report dated June 27, 2022 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Rehmann Loborn LLC". The signature is written in a cursive, flowing style.

# GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

## Consolidated Statements of Financial Position

	September 30	
	2021	2020
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 9,311,853	\$ 3,731,669
Restricted cash	28,212	27,079
Receivables		
Grants	8,837	20,486
Program service fees and other, net	341,298	475,607
Pledge receivable, current portion	-	25,000
Total receivables, net	350,135	521,093
Inventory	495,105	432,764
Prepaid expenses	95,418	71,124
<b>Total current assets</b>	<b>10,280,723</b>	<b>4,783,729</b>
Developer fee receivable	157,890	157,890
Accounts receivable - Carson Square LDHALP	81,829	155,041
Net property and equipment	12,827,198	13,110,829
Investments	2,662,445	1,972,202
Investment in real estate partnership	53,946	53,968
<b>Total assets</b>	<b>\$ 26,064,031</b>	<b>\$ 20,233,659</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 200,471	\$ 312,785
Accrued expenses	551,287	548,382
Funds held for others	28,212	27,079
Current portion of long-term debt	151,452	152,759
Current portion of capital lease obligations	56,675	61,035
Paycheck Protection Program loan (Note 8)	-	1,213,600
<b>Total current liabilities</b>	<b>988,097</b>	<b>2,315,640</b>
Long-term debt, net of current portion	4,015,486	4,166,265
Capital lease obligations, net of current portion	134,885	156,625
<b>Total liabilities</b>	<b>5,138,468</b>	<b>6,638,530</b>
<b>Net assets</b>		
Without donor restrictions		
Board designated	1,400,000	1,400,000
Net investment in property and equipment	8,468,700	8,574,145
Undesignated	10,089,338	2,438,209
Total net assets without donor restrictions	19,958,038	12,412,354
With donor restrictions	967,525	1,182,775
<b>Total net assets</b>	<b>20,925,563</b>	<b>13,595,129</b>
<b>Total liabilities and net assets</b>	<b>\$ 26,064,031</b>	<b>\$ 20,233,659</b>

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

## GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

### Consolidated Statement of Activities

Year Ended September 30, 2021

(with summarized comparative information for the year ended September 30, 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>Revenue, support, and gains</b>				
Retail sales	\$ 11,412,841	\$ -	\$ 11,412,841	\$ 7,860,882
Contributions - donated inventory	4,333,800	-	4,333,800	3,679,716
Grants	5,982,743	761	5,983,504	2,360,341
Program service fees	1,261,456	-	1,261,456	1,187,402
Contributions - other	455,896	57,000	512,896	761,791
Net investment return	195,212	-	195,212	69,310
Other revenue	70,280	-	70,280	118,826
Paycheck Protection Program loan forgiveness	1,213,600	-	1,213,600	-
Net assets released from restrictions	273,011	(273,011)	-	-
<b>Total revenue, support, and gains</b>	<b>25,198,839</b>	<b>(215,250)</b>	<b>24,983,589</b>	<b>16,038,268</b>
<b>Expenses and losses</b>				
<b>Program services</b>				
Retail operations	12,604,869	-	12,604,869	10,280,833
Housing services	2,460,395	-	2,460,395	2,180,637
Food services	1,236,735	-	1,236,735	1,249,885
Job services	7,036	-	7,036	19,654
<b>Total program services</b>	<b>16,309,035</b>	<b>-</b>	<b>16,309,035</b>	<b>13,731,009</b>
<b>Supporting services</b>				
Management and general	1,197,192	-	1,197,192	1,019,614
Fundraising	144,741	-	144,741	160,544
<b>Total supporting services</b>	<b>1,341,933</b>	<b>-</b>	<b>1,341,933</b>	<b>1,180,158</b>
<b>Losses</b>				
Loss on disposal of property and equipment	2,187	-	2,187	31,600
<b>Total expenses and losses</b>	<b>17,653,155</b>	<b>-</b>	<b>17,653,155</b>	<b>14,942,767</b>
<b>Change in net assets</b>	<b>7,545,684</b>	<b>(215,250)</b>	<b>7,330,434</b>	<b>1,095,501</b>
Net assets, beginning of year	12,412,354	1,182,775	13,595,129	12,499,628
<b>Net assets, end of year</b>	<b>\$ 19,958,038</b>	<b>\$ 967,525</b>	<b>\$ 20,925,563</b>	<b>\$ 13,595,129</b>

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

## GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

### Consolidated Statement of Activities

Year Ended September 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, support, and gains</b>			
Retail sales	\$ 7,860,882	\$ -	\$ 7,860,882
Contributions - donated inventory	3,679,716	-	3,679,716
Grants	1,045,991	1,314,350	2,360,341
Program service fees	1,187,402	-	1,187,402
Contributions - other	757,271	4,520	761,791
Net investment return	69,310	-	69,310
Other revenue	118,826	-	118,826
Net assets released from restrictions	178,472	(178,472)	-
<b>Total revenue, support, and gains</b>	<b>14,897,870</b>	<b>1,140,398</b>	<b>16,038,268</b>
<b>Expenses</b>			
<b>Program services</b>			
Retail operations	10,280,833	-	10,280,833
Housing services	2,180,637	-	2,180,637
Food services	1,249,885	-	1,249,885
Job services	19,654	-	19,654
<b>Total program services</b>	<b>13,731,009</b>	<b>-</b>	<b>13,731,009</b>
<b>Supporting services</b>			
Management and general	1,019,614	-	1,019,614
Fundraising	160,544	-	160,544
<b>Total supporting services</b>	<b>1,180,158</b>	<b>-</b>	<b>1,180,158</b>
<b>Losses</b>			
Loss on disposal of property and equipment	31,600	-	31,600
<b>Total expenses</b>	<b>14,942,767</b>	<b>-</b>	<b>14,942,767</b>
<b>Change in net assets</b>	<b>(44,897)</b>	<b>1,140,398</b>	<b>1,095,501</b>
Net assets, beginning of year	12,457,251	42,377	12,499,628
<b>Net assets, end of year</b>	<b>\$ 12,412,354</b>	<b>\$ 1,182,775</b>	<b>\$ 13,595,129</b>

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

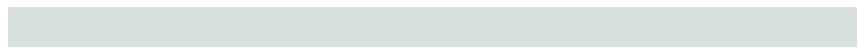
## GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

### Consolidated Statement of Functional Expenses

Year Ended September 30, 2021

	Program Services				
	Retail Operations	Housing Services	Food Services	Job Services	Total
<b>Salaries and fringe benefits</b>					
Salaries and wages	\$ 3,773,383	\$ 1,365,881	\$ 342,176	\$ -	\$ 5,481,440
Employee benefits	378,672	125,569	61,754	-	565,995
Taxes and fringe benefits	299,004	98,620	26,316	-	423,940
<b>Total salaries and fringe benefits</b>	<b>4,451,059</b>	<b>1,590,070</b>	<b>430,246</b>	<b>-</b>	<b>6,471,375</b>
Cost of goods sold	4,335,194	-	476,619	-	4,811,813
Cost of goods sold - purchased	419,069	-	-	-	419,069
Rent and lease expense	659,874	7,109	-	-	666,983
Interest	3,236	221	212	-	3,669
Supplies and purchases	348,206	147,359	100,871	3,500	599,936
Utilities	132,326	62,207	12,049	-	206,582
Bad debts	813	-	-	-	813
Direct client assistance	-	131,622	-	-	131,622
Advertising	107,209	2,795	-	-	110,004
Insurance	65,223	27,086	13,343	-	105,652
Dues and subscriptions	87,585	13,641	9,901	-	111,127
Garbage	272,719	11,680	3,204	-	287,603
Repairs and maintenance	206,782	179,333	20,122	-	406,237
Telephone and cable	27,737	25,787	2,747	-	56,271
Vehicle	54,720	11,733	51,008	-	117,461
Professional fees	2,540	54,595	32,879	-	90,014
Miscellaneous	120,766	5,473	30,789	3,472	160,500
Travel	9,636	4,265	13	64	13,978
Conventions and meetings	855	540	-	-	1,395
Office supplies	5,047	1,061	563	-	6,671
Postage	483,129	146	-	-	483,275
Annual bond financing	19,408	-	3,032	-	22,440
Service charges	409,863	669	832	-	411,364
<b>Total expenses before depreciation and amortization</b>	<b>12,222,996</b>	<b>2,277,392</b>	<b>1,188,430</b>	<b>7,036</b>	<b>15,695,854</b>
Depreciation and amortization	381,873	183,003	48,305	-	613,181
<b>Total expenses</b>	<b>\$ 12,604,869</b>	<b>\$ 2,460,395</b>	<b>\$ 1,236,735</b>	<b>\$ 7,036</b>	<b>\$ 16,309,035</b>

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



<b>Supporting Services</b>			
<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>	<b>Total Expenses</b>
\$ 622,867	\$ 87,009	\$ 709,876	\$ 6,191,316
100,193	18,158	118,351	684,346
67,879	7,035	74,914	498,854
<b>790,939</b>	<b>112,202</b>	<b>903,141</b>	<b>7,374,516</b>
-	-	-	4,811,813
-	-	-	419,069
-	-	-	666,983
17,343	-	17,343	21,012
73,845	7,119	80,964	680,900
24,207	-	24,207	230,789
-	-	-	813
-	-	-	131,622
16,696	7,789	24,485	134,489
5,063	-	5,063	110,715
8,233	1,000	9,233	120,360
2,063	-	2,063	289,666
44,150	-	44,150	450,387
23,384	644	24,028	80,299
10,908	-	10,908	128,369
185,441	10,208	195,649	285,663
(67,950)	4,328	(63,622)	96,878
3,851	601	4,452	18,430
2,135	59	2,194	3,589
6,602	-	6,602	13,273
3,765	791	4,556	487,831
3,696	-	3,696	26,136
29,966	-	29,966	441,330
<b>1,184,337</b>	<b>144,741</b>	<b>1,329,078</b>	<b>17,024,932</b>
12,855	-	12,855	626,036
<b>\$ 1,197,192</b>	<b>\$ 144,741</b>	<b>\$ 1,341,933</b>	<b>\$ 17,650,968</b>

## GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

### Consolidated Statement of Functional Expenses

Year Ended September 30, 2020

	Program Services				Total
	Retail Operations	Housing Services	Food Services	Job Services	
<b>Salaries and fringe benefits</b>					
Salaries and wages	\$ 2,853,771	\$ 1,184,205	\$ 356,079	\$ 5,150	\$ 4,399,205
Employee benefits	393,612	122,818	52,157	-	568,587
Taxes and fringe benefits	213,506	82,677	25,441	-	321,624
<b>Total salaries and fringe benefits</b>	<b>3,460,889</b>	<b>1,389,700</b>	<b>433,677</b>	<b>5,150</b>	<b>5,289,416</b>
Cost of goods sold	3,740,774	-	469,891	-	4,210,665
Cost of goods sold - purchased	229,423	-	-	-	229,423
Rent and lease expense	611,072	-	-	-	611,072
Interest	61,751	8,474	1,958	-	72,183
Supplies and purchases	367,304	213,533	118,725	7,423	706,985
Utilities	155,181	68,909	13,264	-	237,354
Bad debts	861	-	-	-	861
Direct client assistance	-	43,224	-	-	43,224
Advertising	64,685	6,329	3,060	-	74,074
Insurance	59,997	21,157	13,467	200	94,821
Dues and subscriptions	85,522	12,004	9,119	341	106,986
Garbage	189,706	9,419	3,795	-	202,920
Repairs and maintenance	148,771	169,226	24,732	-	342,729
Telephone and cable	28,254	25,644	3,338	-	57,236
Vehicle	41,030	6,590	40,393	428	88,441
Professional fees	49,267	14,737	27,767	65	91,836
Miscellaneous	15,258	9,785	-	4,492	29,535
Travel	11,686	6,597	8	3	18,294
Conventions and meetings	564	1,497	68	1,527	3,656
Office supplies	8,043	1,710	1,179	-	10,932
Postage	298,604	575	421	25	299,625
Annual bond financing	18,614	-	2,908	-	21,522
Service charges	276,422	1,260	1,449	-	279,131
<b>Total expenses before depreciation and amortization</b>	<b>9,923,678</b>	<b>2,010,370</b>	<b>1,169,219</b>	<b>19,654</b>	<b>13,122,921</b>
Depreciation and amortization	357,155	170,267	80,666	-	608,088
<b>Total expenses</b>	<b>\$ 10,280,833</b>	<b>\$ 2,180,637</b>	<b>\$ 1,249,885</b>	<b>\$ 19,654</b>	<b>\$ 13,731,009</b>

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

Supporting Services			Total Expenses
Management and General	Fundraising	Total	
\$ 583,077	\$ 101,877	\$ 684,954	\$ 5,084,159
118,312	18,516	136,828	705,415
57,872	8,085	65,957	387,581
<b>759,261</b>	<b>128,478</b>	<b>887,739</b>	<b>6,177,155</b>
-	-	-	4,210,665
-	-	-	229,423
-	-	-	611,072
4,840	-	4,840	77,023
43,658	7,882	51,540	758,525
4,317	-	4,317	241,671
253	-	253	1,114
26,532	-	26,532	69,756
4,877	12,772	17,649	91,723
4,473	-	4,473	99,294
3,088	725	3,813	110,799
1,074	-	1,074	203,994
20,056	-	20,056	362,785
16,336	1,076	17,412	74,648
10,941	-	10,941	99,382
64,931	29	64,960	156,796
2,285	8,098	10,383	39,918
5,927	89	6,016	24,310
4,336	64	4,400	8,056
2,320	-	2,320	13,252
432	1,331	1,763	301,388
3,544	-	3,544	25,066
20,958	-	20,958	300,089
<b>1,004,439</b>	<b>160,544</b>	<b>1,164,983</b>	<b>14,287,904</b>
15,175	-	15,175	623,263
<b>\$ 1,019,614</b>	<b>\$ 160,544</b>	<b>\$ 1,180,158</b>	<b>\$ 14,911,167</b>

## GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

### Consolidated Statements of Cash Flows

	Year Ended September 30	
	2021	2020
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 7,330,434	\$ 1,095,501
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	620,879	618,779
Loss on disposal of property and equipment	2,187	31,600
Bad debts	813	1,114
Amortization of debt issuance costs	5,157	4,484
Net realized and unrealized loss on investment securities	117,277	25,197
Paycheck Protection Program loan forgiveness	(1,213,600)	-
Change in operating assets and liabilities which provided (used) cash:		
Receivables	243,357	(219,162)
Inventory	(62,341)	37,208
Prepaid expenses	(24,294)	51,416
Accounts payable	(112,314)	138,141
Accrued expenses	2,905	(43,478)
Funds held for others	1,133	(14,589)
<b>Net cash provided by operating activities</b>	<b>6,911,593</b>	<b>1,726,211</b>
<b>Cash flows from investing activities</b>		
Purchases of investments	(807,498)	(61,001)
Purchases and construction of property and equipment	(301,935)	(599,499)
<b>Net cash used in investing activities</b>	<b>(1,109,433)</b>	<b>(660,500)</b>
<b>Cash flows from financing activities</b>		
Repayments of long-term debt	(157,243)	(2,725,375)
Proceeds from issuance of long-term debt	-	3,250,000
Proceeds from Paycheck Protection Program loan	-	1,213,600
Repayments on capital lease obligations	(63,600)	(58,459)
<b>Net cash (used in) provided by financing activities</b>	<b>(220,843)</b>	<b>1,679,766</b>
<b>Net increase in cash, cash equivalents, and restricted cash</b>	<b>5,581,317</b>	<b>2,745,477</b>
Cash, cash equivalents and restricted cash, beginning of year	3,758,748	1,013,271
<b>Cash, cash equivalents, and restricted cash, end of year</b>	<b>\$ 9,340,065</b>	<b>\$ 3,758,748</b>
<b>Reconciliation to Consolidated Statements of Financial Position</b>		
Cash and cash equivalents	\$ 9,311,853	\$ 3,731,669
Restricted cash	28,212	27,079
<b>Cash, cash equivalents, and restricted cash, end of year</b>	<b>\$ 9,340,065</b>	<b>\$ 3,758,748</b>
<b>Supplemental disclosure of cash flows information</b>		
Cash paid for interest	\$ 23,954	\$ 74,081
Non-cash property and equipment included in capital leases	\$ 37,500	\$ 125,979

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

# GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

## Notes to Consolidated Financial Statements

### 1. NATURE OF ORGANIZATION, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Nature of Organization and Mission*

The accompanying consolidated financial statements present the consolidated financial position, change in net assets and cash flows of **Goodwill Industries of Northern Michigan, Inc.** ("Goodwill"), and its wholly-owned subsidiaries, **Carson Square, LLC**, and **Carson Square Goodwill, LLC**, and **G.W. Homeless Services of Northern Michigan, Inc.** ("GWH"), an entity in which Goodwill has a controlling financial interest, (collectively the "Organization").

The consolidated financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). All significant inter - entity balances and transactions have been eliminated from the consolidated financial statements.

The mission of Goodwill 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 Services** - Through the following programs, the Organization helps to build a community where homelessness for families, youth, adults, veterans and survivors is brief, rare and one-time.

- Street Outreach actively locates and engages people who are experiencing homelessness and living on the streets where they are, under bridges, on park benches, in vacant buildings, in vehicles, and in wooded areas and river banks. Outreach workers connect people to emergency assistance, emotional support, crisis intervention and referrals to community support services.
- The Goodwill Inn provides safe, supportive emergency shelter with food and basic essentials for adults and families experiencing homelessness throughout Northern Michigan. The emergency shelter has 120 beds including 11 family rooms. Stays can last as long as 90 days, during which guests focus on finding permanent housing.
- Housing Support Services provide housing and the supports people need to remain in housing. Community-based case management assists people with special needs who have experienced homelessness in the past to increase their independence and self-sufficiency.
- Carson Square apartments offer supportive housing to people who have experienced homelessness, people with special needs, and victims of domestic violence.

## GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

### Notes to Consolidated Financial Statements

- Patriot Place is a veteran's transitional housing community that works to support veterans who are experiencing homelessness. Stays can last as long as two years. Case managers and housing navigators help veterans find permanent housing.

**Food Services** - The Organization's food services programs work to ensure that vulnerable families and individuals are provided with the nutritional resources they need.

- The Food Rescue program picks up 6,500 pounds of surplus and soon-to-expire foods every day from grocery stores, bakeries and farmers, and distributes it on the same day to families in need through 64 food pantries and meal sites.
- Food Services prepares 500-700 hot meals each day for guests at the Goodwill Inn, Meals on Wheels for seniors, and individuals in treatment at Addiction Treatment Services.

**Job Services** - The Organization's Workforce Development program works to provide the Organization's employees with growth and development opportunities so they can expand their personal and professional capabilities and take on larger challenges within Goodwill or in positive destinations beyond Goodwill.

**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 revenue without donor restrictions to GII. Dues paid to GII totaled \$103,192 and \$100,218 for the years ended September 30, 2021 and 2020, respectively.

The significant accounting policies of the Organization are described below.

#### **Risks and Economic Uncertainties**

The outbreak of a novel coronavirus (COVID-19), which the World Health Organization declared in March 2020 to be a pandemic, continues to spread throughout the United States of America and the globe. The extent of the ultimate impact of the pandemic on the Organization's operational and financial performance will depend on various developments, including the duration and spread of the outbreak and its impact on funders, program recipients, employees, vendors, and other constituents, all of which cannot be reasonably predicted at this time. In addition, the current environment may place additional demands on the Organization for providing immediate financial support and/or services to its program recipients. As a result, in 2020, The Organization increased its available line of credit to \$1,100,000 to be able to supplement cash as necessary. Additionally, in 2020, The Organization secured borrowings in the amount of \$1,213,600 through the Paycheck Protection Program ("PPP"), obtained through the federal Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), which was enacted into law on March 28, 2020, see Note 8. While management reasonably expects the COVID-19 outbreak to impact the Organization's financial position, changes in net assets, and, where applicable, the timing and amounts of cash flows, the related financial consequences and duration are highly uncertain.

# GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

## Notes to Consolidated Financial Statements

The Organization invests in various investment 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 investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position and consolidated statements of activities.

### *Use of Estimates*

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue, support and expenses during the year. Actual results could differ from those estimates. Significant estimates include, but are not limited to, the valuation of inventory, contributions of donated inventory, allocation of certain expenses among programs, and management's determination of the fair values of the Organization's investments.

### *Basis of Presentation*

To ensure observance of limitations and restrictions placed on the use of available resources, for internal accounting and stewardship purposes the accounts of the Organization are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and internal reporting into funds established according to their nature and purpose.

Net assets and revenues, support, expenses, and gains or losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

***Net Assets Without Donor Restrictions*** - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Directors has designated net assets without donor restrictions for particular purposes. See Note 13.

***Net Assets With Donor Restrictions*** - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. See Note 12.

# GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

## Notes to Consolidated Financial Statements

### *Cash and Cash Equivalents*

Cash and cash equivalents consist of demand deposits in banks and cash on hand. The Organization considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. The Organization maintains demand deposits in financial institutions, which at times may exceed federally insured limits. Management believes the Organization is not exposed to any significant interest rate or other financial risk on these deposits.

### *Restricted Cash*

Restricted cash consists of funds held for local collaborative coalitions.

### *Receivables*

Accounts receivable related to program service fees and other are reported at the amount management expects to collect on outstanding balances. Accounts receivable related to program service fees and other are customer obligations due under normal terms generally requiring payment within 30 days. Management 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 allowance and a credit to receivables. Allowance for bad debts was \$4,000 for each of the years ended September 30, 2021 and 2020.

	2021	2020
<b>Program service fees and other</b>		
Beginning of year	\$ 475,607	\$ 195,384
End of year	\$ 341,298	\$ 475,607

### *Inventory*

Inventory consists of contributed and purchased goods. Contributed inventory is recorded at the 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. Purchased inventory is stated at the lower of cost, principally determined using the first-in, first-out method, or net realizable value.

### *Prepaid Expenses*

Payments to vendors for services that will benefit periods beyond the Organization's fiscal year end are recorded as prepaid expenses.

## GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

### Notes to Consolidated Financial Statements

#### *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. Net investment return (loss) (including realized and unrealized gains and losses, interest and dividend income, less external investment expenses) is included in the consolidated statements of activities as increases or decreases in net assets without donor restrictions unless restricted by the donor or stipulated by law. See Note 3 for fair value measurements.

#### *Investment in Real Estate Partnerships*

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 method basis for financial reporting purposes.

Carson Square Limited Dividend Housing Association Partnership (“Carson Square LDHALP”), a Goodwill Industries of Northern Michigan’s mission entity, provides a 100% permanent, supportive housing community for families and individuals facing homelessness and for survivors of domestic violence and assault. This Goodwill housing community offers a conducive opportunity for residents to not only live together, but learn from one another to potentially overcome obstacles that may have caused homelessness in their own personal lives. The 36-unit community opened in April 2016 and features 16 two-bedroom and 20 one-bedroom apartments and is located in Garfield Township. The accounting for this investment is not in accordance with GAAP. See Note 6.

Goodwill is the single member of Carson Square, LLC, which is a .007% general partner in Carson Square LDHALP. Carson Square Goodwill, LLC is an affiliate of the general partner Carson Square, LLC and holds the developer fee from Carson Square LDHALP. Together, this partnership arrangement assists Goodwill Industries of Northern Michigan to accomplish its housing based mission.

Such investments have been classified on the consolidated statements of financial position as noncurrent based upon management’s intent to hold these investments for greater than one year.

# GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

## Notes to Consolidated Financial Statements

### *Net Property and Equipment and Depreciation*

Property and equipment are stated 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, or the lease term if shorter, which range from 3 to 40 years. Costs for maintenance and repairs are charged to expense as incurred. Management reviews these assets for impairment whenever events or changes in circumstances indicate the related carrying amount may not be recoverable. 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.

### *Funds Held for Others*

The Organization performs accounting services for three unrelated entities: Grand Traverse Collaborative Coalition, Antrim County Collaborative Coalition and Kalkaska County Collaborative Coalition. In conjunction with the accounting services, the Organization maintains cash balances for all entities for current payables. As a result, the Organization records cash and an offsetting liability on these consolidated statements of financial position at September 30, 2021 and 2020 for the amounts due to the entities. There were no charges for accounting services performed in 2021 and 2020.

### *Revenue Recognition*

#### *Store Sales*

Retail sale of donated goods is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing goods to the customer. Customers pay for goods sold on a stand-alone selling price basis at the point of sale which occurs at a point in time. Control is transferred immediately to the customer at the point of sale. Retail and consumer products provide customers with two distinct opportunities:

- The Organization's sales policy provides a right of return to the customer which begins at the point of sale and expires at the end of the return period (10 days for the retail stores). A return entitles the customer to a refund in the form of the original payment (cash or credit card) in the amount of the selling price of the goods being returned.
- The Organization allows customers to purchase gift certificates on a stand-alone selling price basis. Customers can then purchase goods in retail locations as if the gift certificate was cash.

The Organization has not reported a liability for estimated returns as the amounts are not considered to be material to the consolidated financial statements. A liability for outstanding gift certificates of \$15,626 in fiscal 2021 and \$11,689 in fiscal 2020 is included in accrued expenses in the consolidated statements of financial position.

## GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

### Notes to Consolidated Financial Statements

#### *E-commerce Sales*

E-commerce sales are included as a component of retail sales in the consolidated statements of activities, and totaled \$1,691,258 for fiscal 2021 and \$1,068,540 for fiscal 2020. E-commerce sales revenue results from customer purchases of retail and consumer products on various e-commerce sites and is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing the goods to the customer. These amounts are generated from sales to customers across the geographic United States. Customers pay for goods on a stand-alone selling price basis sold at the point of sale. Control of goods sold using e-commerce is transferred at the time of shipment, which happens virtually simultaneously with the point of sale.

The Organization's e-commerce sales policy provides a right of return to the customer which begins at the point of sale and expires at the end of the return period (7 days of receipt if the merchandise was damaged during shipping or if there was a major distortion in the description). The Organization has not reported a liability for estimated returns as the amount is not material to the consolidated financial statements.

#### *Fees for Services*

The Organization performs various services for other organizations. Revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing these services to the customer. These amounts are generated from customers located in the northern Michigan region. Revenue is recognized at the time that the performance obligation is satisfied which occurs as the service is performed over time. Performance obligations for client services are generally satisfied over time and revenues are recognized based on charges incurred in relation to total expected charges. The Organization determines the transaction price based on standard charges for services provided to similar customers and contracts. The Organization's payment terms with customers generally require payment within 30 days.

The Organization collects sales tax as required by the State of Michigan Department of Treasury. The Organization excludes sales tax from the measurement of all transaction prices as they are collected and remitted directly to the State of Michigan as a pass-through.

Shipping and handling fees billed to customers are included in retail sales, while costs of shipping are included in supplies and purchases and postage in the consolidated statements of functional expenses. Costs of shipping and handling are considered a fulfillment cost.

Revenue from contracts with customers for the Organization for the years ended September 30, 2021 and 2020, is as follows:

	2021	2020
Retail sales - point in time	\$ 11,412,841	\$ 7,860,882
Program service fees - over time	1,261,456	1,187,402

# GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

## Notes to Consolidated Financial Statements

### *Grant Awards*

Grant awards are either recorded as contributions or exchange transactions based on criteria contained in the grant award:

- ***Grant awards that are conditional contributions*** - Support and the related grant receivable is recognized in the accounting period when the related allowable expenses or asset acquisition costs are incurred. No allowance for bad debts was considered necessary for grants receivable at September 30, 2021 or 2020. Amounts received in excess of expenses or asset acquisitions are reflected as grant funds received in advance.
- ***Grant awards that are exchange transactions*** - Revenue is recognized when control of the promised goods or services is transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. There were no grant awards that were considered exchange transactions during the years ended September 30, 2021 and 2020.

### ***Contributions***

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Conditional promises to give include a measurable performance or other barrier and a right of return or right of release and are not recognized as support until the conditions on which they depend are met. The organization has elected the simultaneous release option for conditional contributions that are also subject to purpose restrictions. Under this option, increases in net assets without donor restrictions will include the donor restricted contributions for which the purpose restrictions are met in the same fiscal year as the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When those restrictions have been satisfied or expire, net assets with donor restrictions are reclassified to net assets without donor restrictions. Donated goods require a significant amount of work to bring those goods to their points of sale. Donated goods support is recorded at the estimated saleable value when these goods reach their points of sale.

### ***Advertising Costs***

Advertising costs are expensed as incurred. Advertising expense amounted to \$134,489 and \$91,723 for the years ended September 30, 2021 and 2020, respectively.

### ***Income Taxes***

Goodwill and its subsidiaries and affiliate qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code and are exempt from similar state and local taxes. Although the Organization was granted an income tax exemption by the Internal Revenue Service, such exemption does not apply to "unrelated business taxable income." The Organization has not been classified as a private foundation.

# GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

## Notes to Consolidated Financial Statements

The Organization analyzes its income tax filing positions in the federal and state jurisdictions where it is required to file income tax returns, for all open tax years in these jurisdictions, to identify potential uncertain tax positions. The Organization has evaluated its income tax filing positions for fiscal years 2018 through 2021, the years which remain subject to examination as of September 30, 2021. The Organization concluded that there are no significant uncertain tax positions requiring recognition in the Organization's consolidated financial statements. The Organization does not expect the total amount of unrecognized tax benefits ("UTB") (e.g. tax deductions, exclusions, or credits claimed or expected to be claimed) to significantly change in the next twelve months. The Organization does not have any amounts accrued for interest and penalties related to UTBs at September 30, 2021 and 2020, and is not aware of any claims for such amounts by federal or state income tax authorities.

### *Functional Allocation of Expenses*

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited as detailed in the consolidated statements of functional expenses. Dedicated program support expenses consist of clerical functions associated with several different programs. Expenses are generally allocated between program services and supporting services based on specific identification or space utilized, whichever is more appropriate. Although the methods of allocation used are considered reasonable, there are methods that could be used to produce different amounts.

### *Upcoming Accounting Pronouncement*

In February 2016, the Financial Accounting Standards Board Issued Accounting Standards Update No. 2016-02, *Leases (Topic 842)*. This standard, as amended, will require all leases with durations greater than twelve months to be recognized on the statement of financial position and is effective for the Organization for the fiscal year ended September 30, 2023. Management continues to evaluate the impact of the adoption of Topic 842 and its effects on the Organization's financial position and results of operations.

### *Subsequent Events*

In preparing these consolidated financial statements, management has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to September 30, 2021, the most recent consolidated statement of financial position presented herein, through June 27, 2022, the date these consolidated financial statements were available to be issued. No significant such events or transactions were identified, other than the matter described in Note 14.

# GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

## Notes to Consolidated Financial Statements

### 2. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following at September 30:

	2021	2020
<b>Financial assets</b>		
Cash and cash equivalents	\$ 9,311,853	\$ 3,731,669
Accounts receivable, net	350,135	521,093
Investments	<u>2,662,445</u>	<u>1,972,202</u>
<b>Subtotal</b>	12,324,433	6,224,964
<b>Less amounts unavailable for general expenditures within one year due to</b>		
Board-designated net assets	1,400,000	1,400,000
Donor-restricted net assets	<u>967,525</u>	<u>1,182,775</u>
<b>Total financial assets available to meet cash needs for general expenditure within one year</b>	<u><b>\$ 9,956,908</b></u>	<u><b>\$ 3,642,189</b></u>

As part of the Organization's liquidity plan, the Organization receives retail sales revenue and program revenue that is available for general expenditures, without donor restrictions limiting its use, within one year of the consolidated statement of financial position date. The line of credit described in Note 7 is also available for general expenditures, without donor or other restrictions limiting its use, within one year of the consolidated statement of financial position date.

The Board of Directors has designated \$1,400,000 for program expansion which is not available for general expenditure. However, these funds could be made available if necessary.

### 3. INVESTMENTS AND 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:

## GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

### Notes to Consolidated Financial Statements

- Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets.
- Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the estimates of assumptions that market participants would use in pricing the asset or liability.

The asset's 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 measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. For financial assets recorded at fair value, the description includes an indication of the level of the fair value hierarchy in which the assets are classified. There have been no changes in the methodologies used at September 30, 2021 and 2020.

*Common stocks:* Level 1 fair value measurement is based upon the closing price reported on the active market in which the individual securities are traded.

*Exchange traded funds:* Level 1 fair value measurement is based upon the closing price reported on the active market in which the individual securities are traded.

*Mutual funds:* Shares held in mutual funds are valued at quoted market prices that represent the net asset value (NAV) of shares held by the Organization at year end and are classified as Level 1. The NAV is based on the value of the underlying assets owned by the fund, less its liabilities, then divided by the number of shares outstanding. Mutual funds held by the Organization are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily NAV and to transact at that price and, therefore, are deemed to be actively traded.

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 Organization management 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

#### *Assets Recorded at Fair Value on a Recurring Basis*

The following tables set forth by level, within the fair value hierarchy, the Organization's investments measured at fair value on a recurring basis:

	Level 1	
	September 30	
	2021	2020
Common stocks	\$ 312,382	\$ -
Exchange traded funds	63,436	-
Mutual funds		
Small blend	50,725	35,649
Mid-Cap blend	99,943	46,261
Large growth	255,417	-
Large blend	293,728	262,988
Diversified emerging markets	-	49,960
Global real estate	72,152	58,743
Corporate bond	191,032	199,690
Short-term bond	591,264	596,121
High yield bond	80,726	73,820
Intermediate-term bond	651,640	648,970
<b>Total investments at fair value</b>	<b>\$ 2,662,445</b>	<b>\$ 1,972,202</b>

#### 4. INVENTORY

Inventory consists of the following amounts at September 30:

	2021	2020
Donated goods	\$ 329,791	\$ 277,866
Other - purchased goods for sale	165,314	154,898
<b>Total inventory</b>	<b>\$ 495,105</b>	<b>\$ 432,764</b>

## GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

### Notes to Consolidated Financial Statements

#### 5. PROPERTY AND EQUIPMENT

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

	2021	2020
Land	\$ 2,152,715	\$ 2,152,715
Building and improvements	14,225,299	14,137,908
Machinery and equipment	1,300,229	1,554,026
Transportation	945,436	904,570
Leasehold improvements	751,007	314,307
Furniture and fixtures	424,802	440,826
Construction in progress	50,991	454,250
	<u>19,850,479</u>	<u>19,958,602</u>
Total	19,850,479	19,958,602
Less accumulated depreciation	7,023,281	6,847,773
	<u>7,023,281</u>	<u>6,847,773</u>
<b>Net property and equipment</b>	<b><u>\$ 12,827,198</u></b>	<b><u>\$ 13,110,829</u></b>

Construction in progress at September 30, 2021, relates to remodeling projects on the Campus Outlet and Cadillac Phase I. Construction on the Campus Outlet project has stopped progression and the improvements previously made will benefit the current use of space as an expanded operational space for Ecommerce operations. Estimated costs to complete the Cadillac Phase I is \$261,480.

#### 6. RELATED PARTIES

Goodwill is 100% controlling owner in Carson Square, LLC, who is a general partner in Carson Square Limited Dividend Housing Association Partnership ("Carson Square LDHALP"), a multi-family residential estate project. Condensed financial information as of and for the years ended December 31, 2020 and 2019 for Carson Square LDHALP is as follows:

	2020	2019
Assets	\$ 4,875,188	\$ 5,052,942
Liabilities	1,755,470	1,733,835
Partners' equity	3,119,718	3,319,107
Revenues	305,409	295,902
Net loss	(199,389)	(199,290)

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.

## GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

### Notes to Consolidated Financial Statements

The Organization had a receivable from Carson Square LDHALP of \$81,829 and \$155,041 at September 30, 2021 and 2020, 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. Developer fee receivables of \$157,890 are included in the accompanying consolidated statements of financial position at both September 30, 2021 and 2020.

#### 7. SHORT-TERM BANK BORROWINGS

The Organization has a line of credit available to support working capital purposes with maximum borrowings of \$1,100,000. The line of credit bears interest at a variable rate as established by the lender (effective rate of 3.25% at September 30, 2021). There were no borrowings outstanding at September 30, 2021 and 2020. The line of credit has no maturity date and is reviewed annually by the lender.

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 draw 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, 2027.

## GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

### Notes to Consolidated Financial Statements

#### 8. LONG-TERM DEBT AND PAYCHECK PROTECTION PROGRAM LOAN

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

	2021	2020
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 (effective rate of 0.15% at September 30, 2021). The loan is secured by a letter of credit, and matures on October 1, 2027.	\$ 1,185,000	\$ 1,335,000
Unsecured investment bond held by a bank, requiring annual redemptions of \$500,000 due June 30, 2023 and June 30, 2024, with a final redemption of \$1,750,000 due May 15, 2025. Interest is charged at 0.25%.	2,750,000	2,750,000
Unsecured investment bond held by a not-for-profit organization, requiring annual redemptions of \$41,666 due June 30, 2023 and June 30, 2024, with a final redemption of \$166,668 due May 15, 2025. Interest is charged at 0.25%.	250,000	250,000
Grand Traverse County Department of Public Works unsecured note payable, requiring monthly installments of \$603, including interest charged at 4.00% and matured in December 2021.	1,609	8,852
Total long-term debt	4,186,609	4,343,852
Less unamortized debt issuance costs	19,671	24,828
Long-term debt, less unamortized debt issuance costs	4,166,938	4,319,024
Less current portion	151,452	152,759
Long-term debt, less current portion	<b>\$ 4,015,486</b>	<b>\$ 4,166,265</b>

## GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

### Notes to Consolidated Financial Statements

Scheduled annual principal maturities of long-term debt for the years succeeding September 30, 2021 are as follows:

Year ending September 30	Principal Amount	Debt Issuance Cost Amortization	Net Total
2022	\$ 156,609	\$ 5,157	\$ 151,452
2023	706,666	4,484	702,182
2024	716,666	4,484	712,182
2025	2,101,668	4,484	2,097,184
2026	195,000	1,062	193,938
Thereafter	310,000	-	310,000
<b>Total</b>	<b>\$ 4,186,609</b>	<b>\$ 19,671</b>	<b>\$ 4,166,938</b>

In April 29, 2020, the Organization received \$1,213,600 as a loan under the of PPP of the CARES Act administered by the U. S. Small Business Association ("SBA"). Under the program terms, PPP loans are forgiven if the loan proceeds are used to maintain compensation costs and employee headcount, and other qualifying expenses (mortgage interest, rent, and utilities) incurred following the receipt of the loan. The portion of the PPP loan that is not forgiven is subject to a 1% interest rate and is due within two years. In April 2021, the Organization received full forgiveness of the PPP loan under the terms of the CARES ACT program. Forgiveness of the PPP loan is recognized as PPP loan forgiveness on the 2021 consolidated statement of activities.

### 9. CAPITAL LEASES

The Organization entered into vehicle and equipment capital leases, payable in monthly installments ranging from \$384 to \$1,500 (total monthly payments of \$4,799), with varying maturities through July 2027 and collateralized by the vehicles.

Property and equipment held under capitalized leases and included with owned properties on the consolidated statement of financial positions are as follows at September 30:

	2021	2020
Vehicles	\$ 393,867	\$ 393,867
Equipment	50,910	50,910
Less accumulated amortization	(282,805)	(218,495)
<b>Net book value</b>	<b>\$ 161,972</b>	<b>\$ 226,282</b>

## GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

### Notes to Consolidated Financial Statements

The following is a schedule of annual future minimum lease payments required under capitalized leases with initial or remaining non-cancelable lease terms in excess of one year for the five years succeeding September 30, 2021 and thereafter:

Year ending September 30	Amount
2022	\$ 56,675
2023	37,170
2024	20,497
2025	20,497
2026	20,497
Thereafter	<u>36,224</u>
<b>Total minimum payments due</b>	<b><u>\$ 191,560</u></b>

The amount of payments representing interest is not significant.

### 10. OPERATING LEASES

The Organization leases various buildings under operating leases expiring through October 2034.

As of September 30, 2021, future annual 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	Amount
2022	\$ 514,998
2023	468,196
2024	213,035
2025	183,645
2026	142,500
Thereafter	<u>1,200,000</u>
<b>Total</b>	<b><u>\$ 2,722,374</u></b>

Total rent expense on these leases was \$666,983 and \$611,072 for 2021 and 2020, respectively.

## GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

### Notes to Consolidated Financial Statements

#### 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 in to 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 employee's percentage deferral up to a maximum of 3%. The Organization made contributions to the plan of approximately \$43,000 and \$57,000 in 2021 and 2020, respectively.

#### 12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions, subject to expenditure for specified purposes, are available for the following at September 30:

	2021	2020
<b>Purpose restricted:</b>		
Day 1 Families Fund grant to pursue solutions to to family homelessness, including providing housing, social services, skills training and job support	\$ 920,259	\$ 1,133,089
Rotary Charities Healthy Food Hub grant	38,186	38,186
Patriot Place Van Fund	2,719	7,000
Inn vouchers for Bellaire area residents	5,000	-
Restricted funds for purpose of outreach computers	930	-
Community Supply Services grant for homelessness diversion	431	-
Rotary Club of Traverse City grant for the purchase of couches and flooring	-	4,500
	<hr/>	<hr/>
<b>Total net assets with donor restrictions</b>	<b>\$ 967,525</b>	<b>\$ 1,182,775</b>

## GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

### Notes to Consolidated Financial Statements

Net assets released from restrictions consisted of the following for the years ended September 30:

	2021	2020
<b>Purpose restriction satisfied:</b>		
Day 1 Families Fund grant to pursue solutions to to family homelessness, including providing housing, social services, skills training and job support	\$ 212,830	\$ 116,911
Rotary Charities Healthy Food Hub grant	-	26,247
Replacement of bunk beds at Goodwill Inn homeless shelter	-	15,000
Workers on wheels car donation program	-	12,464
Patriot Place Van Fund	4,281	-
Purchase of computers	1,070	-
Food rescue grant for the purchase of sprinter van	50,000	-
Rotary Club of Traverse City grant for the purchase of new floors and couch	4,500	-
Purchase of replacement ovens for Good Meals	-	7,100
Other	330	-
Replacement of oven hood at Food Rescue	-	500
Assistance provided to client with payment of utility	-	250
<b>Total released from restriction</b>	<b><u>\$ 273,011</u></b>	<b><u>\$ 178,472</u></b>

### 13. BOARD DESIGNATED NET ASSETS

During 2009, the Board of Directors designated \$1,400,000 of net assets for mission expansion purposes. Although the Organization does not intend to spend from this board-designated net assets at this time, these amounts could be made available if necessary.

### 14. SUBSEQUENT EVENT

On May 20, 2022, a tornado occurred causing extensive damage to the Gaylord store location. Total estimated loss that is not covered by insurance is expected to be \$500,000. Negotiations on rebuilding the structure are expected to take between nine to fifteen months with negotiations currently taking place as of the date of the audit report. The Organization is expecting to rent a different location during construction in order to continue to operate as a store and donation center.



## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY CONSOLIDATING INFORMATION

June 27, 2022

Board of Directors  
Goodwill Industries of Northern Michigan and Affiliates  
Traverse City, Michigan

We have audited the consolidated financial statements of **Goodwill Industries of Northern Michigan and Affiliates** (the "Organization"), for the years ended September 30, 2021 and 2020 and have issued our report thereon dated June 27, 2022, which expressed a qualified opinion on those consolidated financial statements. The Organization did not consolidate the accounts of a certain real estate partnership in which the Organization maintains a controlling indirect financial interest, which in our opinion, is required by accounting principles generally accepted in the United States of America. The effects of this departure on the supplementary information has not been determined by management. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2021 consolidating and 2020 summary supplementary information, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in our audit of the consolidated financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Rehmann Loborn LLC*



## **SUPPLEMENTARY INFORMATION**

## GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

### Consolidating Statement of Financial Position

September 30, 2021

(with summary totals as of September 30, 2020)

	Goodwill Industries of Northern Michigan, Inc.	G.W. Homeless Services of Northern Michigan, Inc.	Carson Square, LLC	Carson Square Goodwill, LLC	Eliminations	Totals	
						2021	2020
<b>ASSETS</b>							
<b>Current assets</b>							
Cash and cash equivalents	\$ 9,276,485	\$ 35,368	\$ -	\$ -	\$ -	\$ 9,311,853	\$ 3,731,669
Restricted cash	28,212	-	-	-	-	28,212	27,079
Receivables							
Grants	8,837	-	-	-	-	8,837	20,486
Program service fees and other, net	341,298	-	-	-	-	341,298	475,607
Pledge receivable, current portion	-	-	-	-	-	-	25,000
Intercompany receivable	1,697,774	-	-	611,838	(2,309,612)	-	-
Total receivables, net	2,047,909	-	-	611,838	(2,309,612)	350,135	521,093
Inventory	495,105	-	-	-	-	495,105	432,764
Prepaid expenses	95,418	-	-	-	-	95,418	71,124
<b>Total current assets</b>	<b>11,943,129</b>	<b>35,368</b>	<b>-</b>	<b>611,838</b>	<b>(2,309,612)</b>	<b>10,280,723</b>	<b>4,783,729</b>
Developer fee receivable	-	-	-	157,890	-	157,890	157,890
Accounts receivable - Carson Square LDHALP	81,723	-	106	-	-	81,829	155,041
Net property and equipment	9,949,118	2,878,080	-	-	-	12,827,198	13,110,829
Investments	2,662,445	-	-	-	-	2,662,445	1,972,202
Investment in real estate partnership	768,962	-	53,946	-	(768,962)	53,946	53,968
<b>Total assets</b>	<b>\$ 25,405,377</b>	<b>\$ 2,913,448</b>	<b>\$ 54,052</b>	<b>\$ 769,728</b>	<b>\$ (3,078,574)</b>	<b>\$ 26,064,031</b>	<b>\$ 20,233,659</b>

See independent auditors' report on supplementary consolidating information.

## GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

### Consolidating Statement of Financial Position

September 30, 2021

(with summary totals as of September 30, 2020)

	Goodwill Industries of Northern Michigan, Inc.	G.W. Homeless Services of Northern Michigan, Inc.	Carson Square, LLC	Carson Square Goodwill, LLC	Eliminations	Totals	
						2021	2020
<b>LIABILITIES AND NET ASSETS</b>							
<b>Current liabilities</b>							
Accounts payable	\$ 200,471	\$ -	\$ -	\$ -	\$ -	\$ 200,471	\$ 312,785
Accrued expenses	551,287	-	-	-	-	551,287	548,382
Funds held for others	28,212	-	-	-	-	28,212	27,079
Current portion of long-term debt	149,843	1,609	-	-	-	151,452	152,759
Current portion of capital lease obligations	56,675	-	-	-	-	56,675	61,035
Paycheck Protection Program loan	-	-	-	-	-	-	1,213,600
Intercompany payable	611,838	1,642,962	54,812	-	(2,309,612)	-	-
<b>Total current liabilities</b>	<b>1,598,326</b>	<b>1,644,571</b>	<b>54,812</b>	<b>-</b>	<b>(2,309,612)</b>	<b>988,097</b>	<b>2,315,640</b>
Long-term debt, net of current portion	4,015,486	-	-	-	-	4,015,486	4,166,265
Capital lease obligations, net of current portion	134,885	-	-	-	-	134,885	156,625
<b>Total liabilities</b>	<b>5,748,697</b>	<b>1,644,571</b>	<b>54,812</b>	<b>-</b>	<b>(2,309,612)</b>	<b>5,138,468</b>	<b>6,638,530</b>
<b>Net assets</b>							
Without donor restrictions							
Board designated	1,400,000	-	-	-	-	1,400,000	1,400,000
Net investment in property and equipment	5,592,229	2,876,471	-	-	-	8,468,700	8,574,145
Undesignated (deficit)	11,696,926	(1,607,594)	(760)	769,728	(768,962)	10,089,338	2,438,209
Total net assets without donor restrictions	18,689,155	1,268,877	(760)	769,728	(768,962)	19,958,038	12,412,354
With donor restrictions	967,525	-	-	-	-	967,525	1,182,775
<b>Total net assets</b>	<b>19,656,680</b>	<b>1,268,877</b>	<b>(760)</b>	<b>769,728</b>	<b>(768,962)</b>	<b>20,925,563</b>	<b>13,595,129</b>
<b>Total liabilities and net assets</b>	<b>\$ 25,405,377</b>	<b>\$ 2,913,448</b>	<b>\$ 54,052</b>	<b>\$ 769,728</b>	<b>\$ (3,078,574)</b>	<b>\$ 26,064,031</b>	<b>\$ 20,233,659</b>

See independent auditors' report on supplementary consolidating information.

## GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

### Consolidating Statement of Activities

Year Ended September 30, 2021

(with summary totals for the year ended September 30, 2020)

	Goodwill Industries of Northern Michigan, Inc.		G.W. Homeless Services of Northern Michigan, Inc.	Carson Square, LLC	Carson Square Goodwill, LLC	Eliminations	Totals	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	Without Donor Restrictions	Without Donor Restrictions		2021	2020
<b>Revenue, support, and gains</b>								
Retail sales	\$ 11,412,841	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,412,841	\$ 7,860,882
Contributions - donated inventory	4,333,800	-	-	-	-	-	4,333,800	3,679,716
Grants	5,982,743	761	-	-	-	-	5,983,504	2,360,341
Program service fees	1,261,456	-	-	-	-	-	1,261,456	1,187,402
Contributions - other	455,896	57,000	-	-	-	-	512,896	761,791
Net investment return	195,206	-	6	-	-	-	195,212	69,310
Income from subsidiaries	(22)	-	-	-	-	22	-	-
Other revenue	70,296	-	-	(16)	-	-	70,280	118,826
Paycheck Protection Program loan forgiveness	1,213,600	-	-	-	-	-	1,213,600	-
Net assets released from restrictions	273,011	(273,011)	-	-	-	-	-	-
<b>Total revenue, support, and gains</b>	<b>25,198,827</b>	<b>(215,250)</b>	<b>6</b>	<b>(16)</b>	<b>-</b>	<b>22</b>	<b>24,983,589</b>	<b>16,038,268</b>
<b>Expenses and losses</b>								
<b>Program services</b>								
Retail operations	12,604,869	-	-	-	-	-	12,604,869	10,280,833
Housing services	2,343,371	-	117,024	-	-	-	2,460,395	2,180,637
Food services	1,236,735	-	-	-	-	-	1,236,735	1,249,885
Job services	7,036	-	-	-	-	-	7,036	19,654
<b>Total program services</b>	<b>16,192,011</b>	<b>-</b>	<b>117,024</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,309,035</b>	<b>13,731,009</b>
Supporting services								
Management and general	1,197,192	-	-	-	-	-	1,197,192	1,019,614
Fundraising	144,741	-	-	-	-	-	144,741	160,544
<b>Total supporting services</b>	<b>1,341,933</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,341,933</b>	<b>1,180,158</b>
<b>Losses</b>								
Loss on disposal of property and equipment	1,714	-	473	-	-	-	2,187	31,600
<b>Total expenses and losses</b>	<b>17,535,658</b>	<b>-</b>	<b>117,497</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,653,155</b>	<b>14,942,767</b>
<b>Change in net assets</b>	<b>7,663,169</b>	<b>(215,250)</b>	<b>(117,491)</b>	<b>(16)</b>	<b>-</b>	<b>22</b>	<b>7,330,434</b>	<b>1,095,501</b>
Net assets, beginning of year	11,025,986	1,182,775	1,386,368	(744)	769,728	(768,984)	13,595,129	12,499,628
<b>Net assets, end of year</b>	<b>\$ 18,689,155</b>	<b>\$ 967,525</b>	<b>\$ 1,268,877</b>	<b>\$ (760)</b>	<b>\$ 769,728</b>	<b>\$ (768,962)</b>	<b>\$ 20,925,563</b>	<b>\$ 13,595,129</b>

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