

Goodwill  
Industries of  
Northern  
Michigan and  
Affiliates



15-Month  
Period Ended  
December 31,  
2023

Consolidated  
Financial  
Statements  
and  
Supplementary  
Consolidating  
Information

**Rehmann**

# GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

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## INDEPENDENT AUDITORS' REPORT

July 15, 2024

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

### Report on the Audit of the Consolidated Financial Statements

#### *Qualified Opinion*

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 statement of financial position as of December 31, 2023, and related consolidated statements of activities, functional expenses, and cash flows for the 15-month period then ended, and the related notes to the consolidated financial statements.

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 section of our report, 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 December 31, 2023, and the consolidated changes in their net assets and their cash flows for the 15-month period then ended in conformity with accounting principles generally accepted in the United States of America ("GAAP").

#### *Basis for Qualified Opinion*

As more fully described in Note 9 to the consolidated financial statements, such consolidated financial statements do not include the accounts of a certain real estate partnership. 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.



We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Independent Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of ***Goodwill Industries of Northern Michigan and Affiliates*** and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the consolidated financial statements.

### ***Change in Accounting Principles***

As described in Note 1 to the consolidated financial statements, effective October 1, 2022, the Organization adopted Accounting Standards Codification Topic 842, *Leases*. Effective October 1, 2022, the Organization adopted Accounting Standards Codification Topic 326, *Financial Instruments - Credit Losses*. Our opinion is not modified with respect to these matters.

### ***Responsibilities of Management 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, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

### ***Independent Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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

In accordance with *Government Auditing Standards*, we have also issued our report under a separate cover dated July 15, 2024 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 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 cursive script that reads "Lehman Johnson LLC".

## GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

### Consolidated Statement of Financial Position

December 31, 2023

#### ASSETS

##### Current assets

Cash and cash equivalents	\$ 2,236,686
Restricted cash	10,608
Receivables	
Grants	250,000
Program service fees and other, net of allowance for credit losses of \$2,000	451,099
Unconditional promises to give	34,523
Total receivables, net	<u>735,622</u>
Inventory	638,067
Prepaid expenses	<u>86,942</u>
<b>Total current assets</b>	<b><u>3,707,925</u></b>

Developer fee receivable - Carson Square LDHALP	79,508
Accounts receivable - Carson Square LDHALP	85,380
Grants receivable, net of current portion	250,000
Net property and equipment	23,112,557
Net operating lease right-of-use assets	2,567,934
Investments	6,461,873
Investment in real estate partnership	<u>53,920</u>
<b>Total assets</b>	<b><u>\$ 36,319,097</u></b>

#### LIABILITIES AND NET ASSETS

##### Current liabilities

Accounts payable	\$ 192,024
Accrued expenses	560,676
Funds held for others	10,608
Short-term borrowings	2,725,000
Current portion of long-term debt	692,922
Current portion of operating lease obligations	256,056
Current portion of finance lease obligations	<u>42,929</u>
<b>Total current liabilities</b>	<b><u>4,480,215</u></b>

Security deposit	60,503
Long-term debt, net of current portion	7,217,050
Operating lease obligations, net of current portion	2,315,856
Finance lease obligations, net of current portion	<u>55,647</u>

<b>Total liabilities</b>	<b><u>14,129,271</u></b>
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##### Net assets

Without donor restrictions	
Board designated	1,400,000
Net investment in property and equipment	18,829,634
Undesignated	<u>1,235,057</u>
Total net assets without donor restrictions	21,464,691
With donor restrictions	<u>725,135</u>

<b>Total net assets</b>	<b><u>22,189,826</u></b>
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<b>Total liabilities and net assets</b>	<b><u>\$ 36,319,097</u></b>
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The accompanying notes are an integral part of these consolidated financial statements.

## GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

### Consolidated Statement of Activities

15-Month Period Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, support, and gains</b>			
Retail sales	\$ 15,641,651	\$ -	\$ 15,641,651
Contributions - donated inventory	5,902,653	-	5,902,653
Grants	1,427,680	858,713	2,286,393
Program service fees	701,464	-	701,464
Contributions of cash and other financial assets	768,034	32,068	800,102
Net investment return	910,698	-	910,698
Other revenue	261,165	-	261,165
Insurance recovery	80,958	-	80,958
Net assets released from restrictions	1,036,183	(1,036,183)	-
<b>Total revenue, support, and gains</b>	<b>26,730,486</b>	<b>(145,402)</b>	<b>26,585,084</b>
<b>Expenses</b>			
Program services			
Retail operations	17,861,589	-	17,861,589
Housing services	3,804,351	-	3,804,351
Food services	1,551,916	-	1,551,916
Job services	39,820	-	39,820
<b>Total program services</b>	<b>23,257,676</b>	<b>-</b>	<b>23,257,676</b>
Supporting services			
Management and general	2,401,629	-	2,401,629
Fundraising	330,941	-	330,941
<b>Total supporting services</b>	<b>2,732,570</b>	<b>-</b>	<b>2,732,570</b>
<b>Total expenses</b>	<b>25,990,246</b>	<b>-</b>	<b>25,990,246</b>
<b>Change in net assets</b>	<b>740,240</b>	<b>(145,402)</b>	<b>594,838</b>
Net assets, beginning of period	20,724,451	870,537	21,594,988
<b>Net assets, end of period</b>	<b>\$ 21,464,691</b>	<b>\$ 725,135</b>	<b>\$ 22,189,826</b>

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

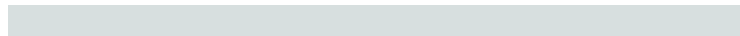
## GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

### Consolidated Statement of Functional Expenses

15-Month Period Ended December 31, 2023

	Program Services				
	Retail Operations	Housing Services	Food Services	Job Services	Total
<b>Salaries and fringe benefits</b>					
Salaries and wages	\$ 5,740,948	\$ 1,817,056	\$ 560,477	\$ -	\$ 8,118,481
Employee benefits	477,284	128,951	58,983	-	665,218
Taxes and fringe benefits	422,300	131,579	41,284	-	595,163
<b>Total salaries and fringe benefits</b>	<b>6,640,532</b>	<b>2,077,586</b>	<b>660,744</b>	<b>-</b>	<b>9,378,862</b>
Cost of goods sold	5,907,123	-	461,920	-	6,369,043
Supplies and purchases	449,878	134,111	120,172	2,594	706,755
Cost of goods sold - purchased	785,589	-	-	-	785,589
Postage	767,670	565	-	-	768,235
Lease costs	668,712	10,605	-	-	679,317
Professional fees	2,896	436,664	12,239	22,760	474,559
Service charges	572,972	-	-	-	572,972
Repairs and maintenance	247,190	189,540	35,581	-	472,311
Client assistance	-	352,954	-	-	352,954
Utilities	165,452	143,934	19,142	-	328,528
Garbage	315,348	16,311	5,747	-	337,406
Vehicle	141,351	20,941	80,297	-	242,589
Miscellaneous	179,569	38,530	14,552	4,873	237,524
Dues and subscriptions	140,939	20,469	13,819	-	175,227
Insurance	100,108	33,283	21,291	-	154,682
Advertising	139,792	-	24	-	139,816
Interest	45,362	20,124	-	-	65,486
Travel	50,049	14,807	1,809	136	66,801
Telephone and cable	35,335	22,840	7,428	-	65,603
Conventions and meetings	1,992	1,974	162	9,457	13,585
Credit losses	-	-	-	-	-
Annual bond financing	-	-	-	-	-
Office supplies	3,475	1,465	392	-	5,332
<b>Total expenses before depreciation and amortization</b>	<b>17,361,334</b>	<b>3,536,703</b>	<b>1,455,319</b>	<b>39,820</b>	<b>22,393,176</b>
Depreciation and amortization	500,255	267,648	96,597	-	864,500
<b>Total expenses</b>	<b>\$ 17,861,589</b>	<b>\$ 3,804,351</b>	<b>\$ 1,551,916</b>	<b>\$ 39,820</b>	<b>\$ 23,257,676</b>

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



Supporting Services			
Management and General	Fundraising	Total	Total Expenses
\$ 1,261,183	\$ 169,141	\$ 1,430,324	\$ 9,548,805
191,690	9,586	201,276	866,494
116,238	11,065	127,303	722,466
<b>1,569,111</b>	<b>189,792</b>	<b>1,758,903</b>	<b>11,137,765</b>
-	-	-	6,369,043
322,902	66,933	389,835	1,096,590
-	-	-	785,589
2,302	4,673	6,975	775,210
32,429	-	32,429	711,746
124,075	60,265	184,340	658,899
63,058	-	63,058	636,030
63,645	-	63,645	535,956
-	-	-	352,954
23,724	-	23,724	352,252
4,155	-	4,155	341,561
27,839	-	27,839	270,428
(35,362)	2,263	(33,099)	204,425
12,683	108	12,791	188,018
7,920	-	7,920	162,602
15,193	1,165	16,358	156,174
83,710	-	83,710	149,196
14,408	4,703	19,111	85,912
13,163	48	13,211	78,814
18,268	991	19,259	32,844
24,548	-	24,548	24,548
9,437	-	9,437	9,437
3,996	-	3,996	9,328
<b>2,401,204</b>	<b>330,941</b>	<b>2,732,145</b>	<b>25,125,321</b>
425	-	425	864,925
<b>\$ 2,401,629</b>	<b>\$ 330,941</b>	<b>\$ 2,732,570</b>	<b>\$ 25,990,246</b>

## GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

### Consolidated Statement of Cash Flows

For the 15-Month Period Ended December 31, 2023

<b>Cash flows from operating activities</b>	
Change in net assets	\$ 594,838
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	864,925
Non-cash lease expense	260,769
Credit losses	24,548
Net realized and unrealized loss on investment securities	366,483
Change in operating assets and liabilities which provided (used) cash:	
Receivables, net	1,986,255
Inventory	17,596
Prepaid expenses	(18,516)
Accounts payable	(281,689)
Accrued expenses	(81,194)
Funds held for others	(8,336)
Security deposit	60,503
Operating lease obligations	(256,792)
<b>Net cash provided by operating activities</b>	<b><u>3,529,390</u></b>
<b>Cash flows from investing activities</b>	
Purchases of investments	(887,377)
Proceeds from sale of investments	1,300,000
Purchases and construction of property and equipment	(6,117,122)
<b>Net cash used in investing activities</b>	<b><u>(5,704,499)</u></b>
<b>Cash flows from financing activities</b>	
Short-term bank borrowings	2,725,000
Repayments of long-term debt	(324,232)
Repayments of finance lease obligations	(61,592)
<b>Net cash provided by financing activities</b>	<b><u>2,339,176</u></b>
<b>Net increase in cash, cash equivalents, and restricted cash</b>	<b>164,067</b>
Cash, cash equivalents, and restricted cash, beginning of period	<u>2,083,227</u>
<b>Cash, cash equivalents, and restricted cash, end of period</b>	<b><u>\$ 2,247,294</u></b>
<b>Reconciliation to Consolidated Statement of Financial Position</b>	
Cash and cash equivalents	\$ 2,236,686
Restricted cash	10,608
<b>Cash, cash equivalents, and restricted cash, end of period</b>	<b><u>\$ 2,247,294</u></b>
<b>Supplemental disclosure of cash flows information</b>	
Assumption of long-term debt related to property acquisition	<u>\$ 4,219,504</u>
Cash paid for interest	<u>\$ 149,196</u>

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 OF 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, Carson Square Goodwill, LLC, GWNM East Bay Flats GP, LLC and G.W. Homeless Services of Northern Michigan, Inc. ("GWH"), an entity in which Goodwill has a controlling financial interest, (collectively the "Organization").

During 2023, Goodwill started the new entity GWNM East Bay Flats GP, LLC, of which Goodwill is the single member. GWNM East Bay Flats GP, LLC is a 69% general partner in GWNM East Bay Flats Limited Development Housing Association Limited Partnership ("GWNM East Bay Flats LDHALP"). During 2023, there was no operations or activity in either GWNM East Bay Flats GP, LLC or GWNM East Bay Flats LDHALP.

The financial year end of the Organization was changed from September 30 to December 31.

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 support 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.

## GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

### Notes to Consolidated Financial Statements

- Carson Square apartments offer supportive housing to people who have experienced homelessness, people with special needs, and victims of domestic violence.
- 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.
- East Bay Flats provide housing and the support people need to remain in 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 acts as an intermediary and 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. In accordance with the Organization's policy, this is neither reported as an asset or liability on the Organization's consolidated statement of financial position.
- 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 \$212,393 for the 15-month period ended December 31, 2023.

#### ***Basis of Presentation***

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-entirety balances and transactions have been eliminated from the consolidated financial statements.

The significant accounting policies of the Organization are described below.

# GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

## Notes to Consolidated Financial Statements

### *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 period. Actual results could differ from those estimates. Significant estimates include but are not limited to the valuation of inventory.

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 12.

***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 may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization does not have any net assets held in perpetuity as of December 31, 2023. See Note 11.

### ***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 estimates an allowance for expected credit losses based on the amount it expects to collect from customers, based on the length of time the receivables have been outstanding, historical collection experience, current market conditions and forecasted economic and business environments.

# GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

## Notes to Consolidated Financial Statements

Accounts receivable relating to program service fees, retail and ecommerce was \$659,217 at October 1, 2022 and \$451,099 at December 31, 2023.

### *Unconditional Promises to Give*

The Organization recognizes receivables (unconditional promises to give) at their estimated fair value. A receivable is considered to be past due on a donor-specific basis. Management reviews the likelihood of collection of each receivable based on donor behavior and economic conditions and determined that all receivables were collectible at December 31, 2023.

### *Inventory*

Inventory consists of contributed and purchased goods. Contributed inventory is recorded at the estimated fair value as determined based on the estimated retail selling price less cost of preparing the merchandise for sale. When donated inventory items are sold, they are reflected in cost of goods sold in retail operations. 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 period end are recorded as prepaid expenses.

### *Investments*

Investments are stated at fair value. Net investment return (loss) including realized and unrealized gains and losses, interest and dividend income, less external investment expenses is included in the consolidated statement 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.

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 statement of financial position and consolidated statement of activities.

# GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

## Notes to Consolidated Financial Statements

### *Investment in Real Estate Partnership*

The Organization, as part of its mission, sponsors low and moderate income multi-family housing 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 9.

Goodwill is the single member of Carson Square, LLC, which is a .007% general partner in Carson Square LDHALP. Carson Square Goodwill, LLC 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 statement of financial position as noncurrent based upon management's intent to hold these investments for greater than one year.

### *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.

### *Leases*

The Organization's lease arrangements relate to buildings and vehicles. The Organization's leases generally have initial terms ranging from five to fifteen years and may include renewal or early-termination options, and rent escalation clauses. The Organization is required to make fixed minimum rent payments, variable rent payments, or a combination thereof, relating to its right to use an underlying leased asset.

## GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

### Notes to Consolidated Financial Statements

The Organization determines whether an arrangement contains a lease at the arrangement's inception. If a lease is determined to exist, its related term is assessed at lease commencement, once the underlying asset is made available by the lessor for the Organization's use. The Organization's assessment of the lease term reflects the non-cancellable period of the lease, inclusive of any rent-free periods and/or periods covered by early-termination options for which the Organization is not considered reasonably certain of exercising, as well as periods covered by renewal options for which it is considered reasonably certain of exercising. The Organization also determines lease classification as either operating or finance at lease commencement, which governs the pattern of expense recognition and the presentation thereof reflected in the consolidated statements of activities over the lease term.

For leases with a lease term exceeding 12 months, a lease liability is recorded on the Organization's consolidated statement of financial position at lease commencement reflecting the present value of its fixed payment obligations over such term. A corresponding ROU asset equal to the initial lease liability is also recorded, increased by any prepaid rent and/or initial direct costs incurred in connection with execution of the lease, and reduced by any lease incentives received. Variable lease payments are not included in the measurement of ROU assets and lease liabilities. ROU assets associated with finance leases are presented separate from those associated with operating leases, and are included within net property and equipment on the Organization's consolidated statement of financial position. For purposes of measuring the present value of its fixed payment obligations for a given lease, the Organization uses the risk-free discount rate, determined based on information available at lease commencement, as rates implicit in its leasing arrangements are not readily determinable.

For operating leases, fixed lease payments are recognized as operating lease cost on a straight-line basis over the lease term. For finance leases, the initial ROU asset is depreciated on a straight-line basis over the lease term, along with recognition of interest expense associated with accretion of the lease liability, which is ultimately reduced by the related fixed payments as they are made. For leases with a lease term of 12 months or less (referred to as a "short-term lease"), any fixed lease payments are recognized on a straight-line basis over such term and are not recognized on the consolidated statement of financial position. Variable lease cost, if any, is recognized as incurred for all leases.

Management reviews these ROU assets for impairment whenever events or circumstances indicate that their carrying values may not be fully recoverable.

#### ***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 the consolidated statement of financial position at December 31, 2023 for the amounts due to the entities. There were no charges for accounting services performed during the 15 months ended December 31, 2023.

# GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

## Notes to Consolidated Financial Statements

### *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. 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 \$15,134 as of December 31, 2023 is included in accrued expenses in the consolidated statement of financial position.

#### *E-commerce Sales*

E-commerce sales are included as a component of retail sales in the consolidated statement of activities, and totaled \$2,343,076 during the 15-months ended December 31, 2023. 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 discrepancy in the description). The Organization has not reported a liability for estimated returns as the amount is not material to the consolidated financial statements.

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 statement of functional expenses. Costs of shipping and handling are considered a fulfillment cost.

# GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

## Notes to Consolidated Financial Statements

### *Program Service Fees*

The Organization performs various services for other customers. 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. Performance obligations for client services are generally satisfied at a point in time as they primarily represent charges for meal services. 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.

Revenue from contracts with customers for the Organization was as follows for the 15-month period ended December 31, 2023:

Retail sales - point in time	\$ 15,641,651
Program service fees - point in time	701,464

### *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. Grants and allocations are derived mainly from cost reimbursable federal and state grants which are conditional upon the incurrence of allowable qualifying expenses. Amounts are recognized as support when the Organization has incurred expenses in compliance with the specific grant provisions. Amounts received in excess of expenses or asset acquisitions are reflected as grant funds received in advance, when applicable. Amounts questioned as a result of audits, if any, may result in refunds to governmental agencies. Management does not believe any liability for reimbursements, which may arise as the result of these audits, would be material.
- ***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 15-month period ended December 31, 2023.

# GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

## Notes to Consolidated Financial Statements

### *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 period 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.

Grants and allocations are derived mainly from cost reimbursable federal and state grants which are conditional upon the incurrence of allowable qualifying expenses. Amounts are recognized as support when the Organization has incurred expenses in compliance with the specific grant provisions. As of December 31, 2023, support of approximately \$1,003,992 has not yet been recognized because qualifying expenses have not yet been incurred. No allowance was deemed necessary for grants receivable as of December 31, 2023.

Donated goods for resale, in the Thrift Shops, are recorded as contributions at their estimated fair value. This merchandise requires program-related expenses/processes before it reaches its point of sale. For the 15-month period ended December 31, 2023, the Organization recognized contributed merchandise with an estimated fair value of \$5,902,653. Fair value is determined based on the estimated retail selling price less cost of preparing the merchandise for sale. The fair value of donated goods is approximately 53% clothing related, 31% related to household goods, and 16% consists of other items for the 15-month period ended December 31, 2023.

### *In-Kind Contributions*

Volunteers contribute significant amounts of time to program services, administration and fundraising activities; however, the consolidated financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Management estimates approximately 6,000 volunteer hours for the 15-month period ending December 31, 2023.

### *Income Taxes*

Goodwill and its affiliate, G.W. Homeless Services of Northern Michigan, Inc. 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 Goodwill and its affiliate was granted an income tax exemption by the Internal Revenue Service, such exemption does not apply to "unrelated business taxable income." Goodwill and its affiliate have not been classified as a private foundation.

# GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

## Notes to Consolidated Financial Statements

Carson Square, LLC, Carson Square Goodwill, LLC, GWNM East Bay Flats GP, LLC and GWNM East Bay Flats LDHALP are disregarded as separate entities from its owner under provisions of the Internal Revenue Code whereby taxable income, as well as tax credits, are passed directly to the single owner for inclusion in its income tax return.

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 2020 through 2023, the years which remain subject to examination as of December 31, 2023. 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 December 31, 2023, 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 statement of activities. The consolidated statement 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 statement of functional expenses. 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.

### ***Change in Accounting Principles***

In February 2016, the Financial Accounting Standards Board ("FASB") established Accounting Standards Codification ("ASC") Topic 842, *Leases* ("ASC 842"), by issuing Accounting Standards Update ("ASU") No. 2016-02 ("ASU 2016-02"). The standard, as amended, establishes a right-of-use ("ROU") model that requires a lessee to recognize a ROU asset and lease liability on the consolidated statement of financial position for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the consolidated statement of activities.

The Organization adopted ASU 2016-02, as amended, effective October 1, 2022. The Organization elected the new standard's package of practical expedients, which permits the Organization to maintain prior conclusions about lease identification, lease classification, and initial direct costs. The Organization elected to use the go-forward practical expedient to not separate lease and non-lease components for all of the leases. The Organization also elected to use the short-term lease recognition exemption for all leases that qualify.

# GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

## Notes to Consolidated Financial Statements

Upon adoption, the Organization recognized operating lease liabilities and operating lease ROU assets of \$2,828,703 and finance lease liabilities and finance ROU assets of \$135,708 for the present value of the remaining minimum rental payments on existing operating and finance leases. Refer to Note 6 to the consolidated financial statements for further information regarding leases.

The FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, in June 2016. The standard replaced the incurred loss impairment methodology with a new methodology that reflects current expected credit losses ("CECL") on financial assets, including accounts receivable and certain off-balance sheet commitments. The new methodology requires the measurement of all expected credit losses based on historical experience, current economic conditions, and reasonable and supportable forecasts. The standard also expands the required quantitative and qualitative disclosures for expected credit losses. On October 1, 2022, the Organization adopted the standard using a modified retrospective method. The adoption of this standard did not have a material impact on the consolidated financial statements or related disclosures.

### **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 December 31, 2023, the most recent consolidated statement of financial position presented herein, through July 15, 2024, 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 6.

## 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 December 31, 2023:

<b>Financial assets</b>	
Cash and cash equivalents	\$ 2,236,686
Receivables, net	735,622
Investments	<u>6,461,873</u>
<b>Subtotal</b>	9,434,181
<b>Less amounts unavailable for general expenditures within one year due to</b>	
Board-designated net assets	1,400,000
Donor-restricted net assets	<u>725,135</u>
<b>Total financial assets available to meet cash needs for general expenditure within one year</b>	<u><u>\$ 7,309,046</u></u>

# GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

## Notes to Consolidated Financial Statements

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:

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 December 31, 2023.

*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.

*Corporate bonds:* Corporate bonds are valued at the closing price reported in the active market in which the security is traded and are classified as Level 1.

## GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

### Notes to Consolidated Financial Statements

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.

#### *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 at December 31, 2023:

	Level 1
Common stocks	\$ 2,291,743
Corporate bonds	4,170,130
	<hr/>
<b>Total investments at fair value</b>	<b><u><u>\$ 6,461,873</u></u></b>

#### 4. INVENTORY

Inventory consists of the following amounts at December 31, 2023:

Donated goods	\$ 448,979
Other - purchased goods for sale	189,088
	<hr/>
<b>Total inventory</b>	<b><u><u>\$ 638,067</u></u></b>

#### 5. PROPERTY AND EQUIPMENT

Net property and equipment consists of the following amounts at December 31, 2023:

Land	\$ 3,351,487
Building and improvements	24,095,490
Machinery and equipment	1,236,008
Transportation	681,714
Leasehold improvements	884,699
Furniture and fixtures	442,761
Construction in progress	285,295
	<hr/>
Total	30,977,454
Less accumulated depreciation	7,864,897
	<hr/>
<b>Net property and equipment</b>	<b><u><u>\$ 23,112,557</u></u></b>

## GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

### Notes to Consolidated Financial Statements

Construction in progress at December 31, 2023 relates to construction of the Petoskey store. Total estimated costs to complete is \$1,505,507.

Depreciation and amortization expense was \$864,925 during the 15-month period ending December 31, 2023.

#### 6. LEASES (INCLUDING SUBSEQUENT EVENT)

The following table summarizes right-of-use ("ROU") assets recorded on the Organization's consolidated statement of financial position at December 31, 2023:

		Consolidated Statement of Financial Position
<b>Assets:</b>		
Operating leases	\$ 2,567,934	Net operating lease right-of-use assets
Finance leases	<u>97,420</u>	Net property and equipment
<b>Total lease assets</b>	<b><u>\$ 2,665,354</u></b>	

The following table summarizes the composition of net lease cost during the 15-month period ended December 31, 2023:

Operating lease cost	\$ 293,197
Finance lease cost	
Amortization of right-of-use assets	64,525
Variable lease cost	111,074
Short-term lease cost	<u>337,698</u>
<b>Total lease cost</b>	<b><u>\$ 806,494</u></b>

## GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

### Notes to Consolidated Financial Statements

The following table summarizes other information related to the Organization's leases during the 15-month period ended December 31, 2023:

Cash paid for amounts included in the measurement of lease obligations		
Financing cash flows from finance leases	\$	61,592
Operating cash flows from operating leases		289,219
ROU assets obtained in exchange for new finance lease obligations	\$	24,460
Weighted-average remaining lease term - finance leases (years)		2.20
Weighted-average remaining lease term - operating leases (years)		6.75
Weighted-average discount rate - finance leases		4.18%
Weighted-average discount rate - operating leases		3.97%

For finance leases, both interest on lease obligations and operating cash flows are immaterial.

The following table presents a maturity analysis summary of the Organization's lease obligations recorded on the consolidated statement of financial position as of December 31, 2023:

Year	Finance Leases	Operating Leases
2024	\$ 46,144	\$ 350,282
2025	27,313	315,070
2026	19,915	307,815
2027	11,225	318,987
2028	-	324,056
Thereafter	-	1,460,985
Total lease payments	104,597	3,077,195
Less interest/present value discount	6,021	505,283
Total lease obligations	98,576	2,571,912
Less current portion	42,929	256,056
<b>Long-term lease obligations</b>	<b>\$ 55,647</b>	<b>\$ 2,315,856</b>

Subsequent to period end, the Organization entered into a 10 year building lease with the option to extend for 5 years with monthly payments ranging from \$7,701 to \$8,512.

# GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

## Notes to Consolidated Financial Statements

### 7. SHORT-TERM BANK BORROWINGS

The Organization has a line of credit available to support working capital purposes with maximum borrowings of \$4,000,000. The line of credit bears interest at a variable rate as established by the lender (effective rate of 6.75% as of December 31, 2023). There were outstanding borrowings of \$2,725,000 at December 31, 2023. The line of credit has no maturity date and is reviewed annually by the lender.

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 6.75% as of December 31, 2023). There were no borrowings outstanding at December 31, 2023. 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.

### 8. LONG-TERM DEBT

Long-term debt obligations consist of the following amounts at December 31, 2023:

Mortgage payable with a bank, requiring monthly payments of \$64,713 with a fixed interest rate of 5.4%. The loan is secured by the property, and matures May 22, 2030.	\$ 4,184,347
Unsecured investment bond held by a bank, full payment of \$2,750,000 is due May 15, 2025. Interest is charged at 0.25%.	2,750,000
Michigan Strategic Fund bond, requiring semiannual redemptions ranging from \$80,000 to \$105,000, due on April 1 and October 1, with interest charged ranging from .99% to 4.63% (effective rate of 4.63% at December 31, 2023). The loan is secured by a letter of credit, and matures on October 1, 2027.	780,000
Unsecured investment bond held by a not-for-profit organization, requiring annual redemptions of \$41,666 through June 30, 2024, with a final redemption of \$166,668 due May 15, 2025. Interest is charged at 0.25%.	<u>208,334</u>
Total long-term debt	7,922,681
Less unamortized debt issuance costs	<u>12,709</u>
Long-term debt, less unamortized debt issuance costs	7,909,972
Less current portion	<u>692,922</u>
Long-term debt, less current portion	<u><u>\$ 7,217,050</u></u>

## GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

### Notes to Consolidated Financial Statements

Scheduled annual principal maturities of long-term debt and expected amortization of related debt issuance costs for each of the five years succeeding December 31, 2023 and thereafter are as follows:

Year	Principal Amount	Debt Issuance Cost Amortization	Change in Net Carrying Value
2024	\$ 696,099	\$ 3,177	\$ 692,922
2025	3,697,347	3,177	3,694,170
2026	823,653	3,177	820,476
2027	868,454	3,178	865,276
2028	700,180	-	700,180
Thereafter	1,136,948	-	1,136,948
<b>Total</b>	<b>\$ 7,922,681</b>	<b>\$ 12,709</b>	<b>\$ 7,909,972</b>

### 9. 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 was audited by another auditor as of and for the year ended December 31, 2023 for Carson Square LDHALP is as follows:

Assets	\$ 4,457,475
Liabilities	1,721,253
Partners' equity	2,736,222
Revenues	355,069
Net loss	(107,046)

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

The Organization had a receivable from Carson Square LDHALP of \$85,380 at December 31, 2023, consisting of predevelopment costs and expenses paid on behalf of Carson Square LDHALP. The developer fee receivable was \$79,508, at December 31, 2023, and is included in the accompanying consolidated statement of financial position.

# GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

## Notes to Consolidated Financial Statements

### 10. 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 matching 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 \$110,000 during the 15-month period ending December 31, 2023.

### 11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions, subject to expenditure for specified purposes, are available for the following at December 31, 2023:

**Purpose restricted:**

Food rescue capital improvements	\$ 653,135
Housing and homeless service chronic initiative	70,000
Tents and sleeping bags	<u>2,000</u>
<b>Total net assets with donor restrictions</b>	<b><u><u>\$ 725,135</u></u></b>

Net assets released from restrictions consisted of the following for the 15-month period ended December 31, 2023:

**Purpose restriction satisfied:**

Day 1 Families Fund grant to pursue solutions to family homelessness, including providing housing, social services, skills training and job support	\$ 808,759
Patriot Place Van Fund	1,777
Food rescue grant for personnel salaries	32,068
Pass thru check to City of Traverse City	60,000
Purchase of washers and dryers	30,000
Stipend for service on committees	2,500
Capital improvements	96,866
Other	<u>4,213</u>
<b>Total released from restriction</b>	<b><u><u>\$ 1,036,183</u></u></b>

## GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

### Notes to Consolidated Financial Statements

#### 12. 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.



## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY CONSOLIDATING INFORMATION

July 15, 2024

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 15-month period ended December 31, 2023 and have issued our report thereon dated July 15, 2024 which expressed a qualified opinion on those consolidated financial statements. The Organization did not consolidate the accounts of a certain real estate partnership, 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 consolidating 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 Johnson LLC*



## **SUPPLEMENTARY INFORMATION**

## GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

### Consolidating Statement of Financial Position

15-Month Period Ended December 31, 2023

ASSETS	Goodwill Industries of Northern Michigan, Inc.	G.W. Homeless Services of Northern Michigan, Inc.	Carson Square, LLC	Carson Square Goodwill, LLC	Eliminations	Total
<b>Current assets</b>						
Cash and cash equivalents	\$ 2,075,738	\$ 160,948	\$ -	\$ -	\$ -	\$ 2,236,686
Restricted cash	10,608	-	-	-	-	10,608
Receivables						
Grants	250,000	-	-	-	-	250,000
Program service fees and other, net	451,099	-	-	-	-	451,099
Unconditional promises to give	34,523	-	-	-	-	34,523
Intercompany receivable	2,027,175	-	-	-	(2,027,175)	-
Total receivables, net	2,762,797	-	-	-	(2,027,175)	735,622
Inventory	638,067	-	-	-	-	638,067
Prepaid expenses	86,942	-	-	-	-	86,942
<b>Total current assets</b>	<b>5,574,152</b>	<b>160,948</b>	<b>-</b>	<b>-</b>	<b>(2,027,175)</b>	<b>3,707,925</b>
Developer fee receivable - Carson Square LDHALP	-	-	-	79,508	-	79,508
Accounts receivable - Carson Square LDHALP	85,380	-	-	-	-	85,380
Grants receivable, net of current portion	250,000	-	-	-	-	250,000
Net property and equipment	20,258,130	2,854,427	-	-	-	23,112,557
Net operating lease right-of-use assets	2,567,934	-	-	-	-	2,567,934
Investments	6,461,873	-	-	-	-	6,461,873
Investment in subsidiaries	133,428	-	-	-	(133,428)	-
Investment in real estate partnership	-	-	53,920	-	-	53,920
<b>Total assets</b>	<b>\$ 35,330,897</b>	<b>\$ 3,015,375</b>	<b>\$ 53,920</b>	<b>\$ 79,508</b>	<b>\$ (2,160,603)</b>	<b>\$ 36,319,097</b>

See independent auditors' report on supplementary consolidating information.

## GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

### Consolidating Statement of Financial Position

15-Month Period Ended December 31, 2023

	Goodwill Industries of Northern Michigan, Inc.	G.W. Homeless Services of Northern Michigan, Inc.	Carson Square, LLC	Carson Square Goodwill, LLC	Eliminations	Total
<b>ASSETS</b>						
<b>LIABILITIES AND NET ASSETS</b>						
<b>Current liabilities</b>						
Accounts payable	\$ 192,024	\$ -	\$ -	\$ -	\$ -	\$ 192,024
Accrued expenses	560,676	-	-	-	-	560,676
Funds held for others	10,608	-	-	-	-	10,608
Short-term borrowings	2,725,000	-	-	-	-	2,725,000
Current portion of long-term debt	692,922	-	-	-	-	692,922
Current portion of operating lease obligations	256,056	-	-	-	-	256,056
Current portion of finance lease obligations	42,929	-	-	-	-	42,929
Intercompany payable	-	2,027,175	-	-	(2,027,175)	-
<b>Total current liabilities</b>	<b>4,480,215</b>	<b>2,027,175</b>	<b>-</b>	<b>-</b>	<b>(2,027,175)</b>	<b>4,480,215</b>
Security deposit	60,503	-	-	-	-	60,503
Long-term debt, net of current portion	7,217,050	-	-	-	-	7,217,050
Operating lease obligations, net of current portion	2,315,856	-	-	-	-	2,315,856
Finance lease obligations, net of current portion	55,647	-	-	-	-	55,647
<b>Total liabilities</b>	<b>14,129,271</b>	<b>2,027,175</b>	<b>-</b>	<b>-</b>	<b>(2,027,175)</b>	<b>14,129,271</b>
<b>Net assets</b>						
Without donor restrictions						
Board designated	1,400,000	-	-	-	-	1,400,000
Net investment in property and equipment	15,975,207	2,854,427	-	-	-	18,829,634
Undesignated (deficit)	3,101,284	(1,866,227)	53,920	79,508	(133,428)	1,235,057
Total net assets without donor restrictions	20,476,491	988,200	53,920	79,508	(133,428)	21,464,691
With donor restrictions	725,135	-	-	-	-	725,135
<b>Total net assets (deficit)</b>	<b>21,201,626</b>	<b>988,200</b>	<b>53,920</b>	<b>79,508</b>	<b>(133,428)</b>	<b>22,189,826</b>
<b>Total liabilities and net assets</b>	<b>\$ 35,330,897</b>	<b>\$ 3,015,375</b>	<b>\$ 53,920</b>	<b>\$ 79,508</b>	<b>\$ (2,160,603)</b>	<b>\$ 36,319,097</b>

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## GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

### Consolidating Statement of Activities

15-Month Period Ended December 31, 2023

	Goodwill Industries of Northern Michigan, Inc.		G.W. Homeless Services of Northern Michigan, Inc.	Carson Square, LLC	Carson Square Goodwill, LLC	Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	Without Donor Restrictions	Without Donor Restrictions		
<b>Revenue, support, and gains</b>							
Retail sales	\$ 15,641,651	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,641,651
Contributions - donated inventory	5,902,653	-	-	-	-	-	5,902,653
Grants	1,427,680	858,713	-	-	-	-	2,286,393
Program service fees	701,464	-	-	-	-	-	701,464
Contributions of cash and other financial assets	768,034	32,068	-	-	-	-	800,102
Net investment return (loss)	912,942	-	(2,244)	-	-	-	910,698
Other revenue (expense)	863,060	-	211	54,691	(680,190)	(6)	237,766
Loss on investment in subsidiaries	(625,499)	-	-	-	-	625,499	-
Insurance recovery	80,958	-	-	-	-	-	80,958
Employee Retention Tax Credit income	23,399	-	-	-	-	-	23,399
Net assets released from restrictions	1,036,183	(1,036,183)	-	-	-	-	-
<b>Total revenue, support, and gains</b>	<b>26,732,525</b>	<b>(145,402)</b>	<b>(2,033)</b>	<b>54,691</b>	<b>(680,190)</b>	<b>625,493</b>	<b>26,585,084</b>
<b>Expenses</b>							
Program services							
Retail operations	17,861,589	-	-	-	-	-	17,861,589
Housing services	3,643,376	-	160,975	-	-	-	3,804,351
Food services	1,551,916	-	-	-	-	-	1,551,916
Job services	39,820	-	-	-	-	-	39,820
<b>Total program services</b>	<b>23,096,701</b>	<b>-</b>	<b>160,975</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,257,676</b>
Supporting services							
Management and general	2,401,629	-	-	-	-	-	2,401,629
Fundraising	330,941	-	-	-	-	-	330,941
<b>Total supporting services</b>	<b>2,732,570</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,732,570</b>
<b>Total expenses</b>	<b>25,829,271</b>	<b>-</b>	<b>160,975</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,990,246</b>
<b>Change in net assets</b>	<b>903,254</b>	<b>(145,402)</b>	<b>(163,008)</b>	<b>54,691</b>	<b>(680,190)</b>	<b>625,493</b>	<b>594,838</b>
Net assets (deficit), beginning of period	19,573,237	870,537	1,151,208	(771)	759,698	(758,921)	21,594,988
<b>Net assets (deficit), end of period</b>	<b>\$ 20,476,491</b>	<b>\$ 725,135</b>	<b>\$ 988,200</b>	<b>\$ 53,920</b>	<b>\$ 79,508</b>	<b>\$ (133,428)</b>	<b>\$ 22,189,826</b>

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