

Goodwill
Industries of
Northern
Michigan and
Affiliates



Years Ended
September 30,
2022 and 2021

Consolidated
Financial
Statements
and
Supplementary
Consolidating
Information

Rehmann

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

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INDEPENDENT AUDITORS' REPORT

July 18, 2023

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 statements of financial position as of September 30, 2022 and 2021, and related consolidated statements of activities, functional expenses, and cash flows for the years 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 September 30, 2022 and 2021, 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).

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 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.



We conducted our audits 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 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 audits. 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.

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.

Comparative Information

In our opinion, the summarized comparative information presented within the consolidated statement of activities for the year ended September 30, 2021 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 under a separate cover dated July 18, 2023 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 black ink that reads "Rehmann Lobson LLC". The signature is written in a cursive, flowing style.

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

Consolidated Statements of Financial Position

	September 30	
	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,064,283	\$ 9,311,853
Restricted cash	18,944	28,212
Receivables		
Grants	-	8,837
Program service fees and other, net	1,238,498	341,298
Employee retention credit refund	1,655,233	-
Total receivables, net	<u>2,893,731</u>	<u>350,135</u>
Inventory	655,663	495,105
Prepaid expenses	<u>68,426</u>	<u>95,418</u>
Total current assets	<u>5,701,047</u>	<u>10,280,723</u>
Developer fee receivable	147,656	157,890
Accounts receivable - Carson Square LDHALP	119,926	81,829
Net property and equipment	13,616,395	12,827,198
Investments	7,240,964	2,662,445
Investment in real estate partnership	<u>53,935</u>	<u>53,946</u>
Total assets	<u>\$ 26,879,923</u>	<u>\$ 26,064,031</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 473,713	\$ 200,471
Accrued expenses	641,870	551,287
Funds held for others	18,944	28,212
Current portion of long-term debt	202,182	151,452
Current portion of capital lease obligations	<u>34,670</u>	<u>56,675</u>
Total current liabilities	<u>1,371,379</u>	<u>988,097</u>
Long-term debt, net of current portion	3,812,518	4,015,486
Capital lease obligations, net of current portion	<u>101,038</u>	<u>134,885</u>
Total liabilities	<u>5,284,935</u>	<u>5,138,468</u>
Net assets		
Without donor restrictions		
Board designated	1,400,000	1,400,000
Net investment in property and equipment	12,465,987	11,468,700
Undesignated	<u>6,858,464</u>	<u>7,089,338</u>
Total net assets without donor restrictions	20,724,451	19,958,038
With donor restrictions	<u>870,537</u>	<u>967,525</u>
Total net assets	<u>21,594,988</u>	<u>20,925,563</u>
Total liabilities and net assets	<u>\$ 26,879,923</u>	<u>\$ 26,064,031</u>

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, 2022

(with summarized comparative information for the year ended September 30, 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue, support, and gains (losses)				
Retail sales	\$ 12,073,711	\$ -	\$ 12,073,711	\$ 11,412,841
Contributions - donated inventory	4,452,133	-	4,452,133	4,333,800
Grants	1,562,106	60,686	1,622,792	5,983,504
Program service fees	604,140	-	604,140	1,261,456
Contributions of cash and other financial assets	572,390	10,938	583,328	512,896
Net investment (loss) return	(1,009,222)	-	(1,009,222)	195,212
Other revenue	230,344	-	230,344	70,280
Insurance recovery	734,281	-	734,281	-
Employer retention credit refund	1,655,233	-	1,655,233	-
Paycheck Protection Program loan forgiveness	-	-	-	1,213,600
Loss on disposal of property and equipment	(283,944)	-	(283,944)	(2,187)
Net assets released from restrictions	168,612	(168,612)	-	-
Total revenue, support, and gains (losses)	20,759,784	(96,988)	20,662,796	24,981,402
Expenses				
Program services				
Retail operations	13,413,999	-	13,413,999	12,604,869
Housing services	2,700,770	-	2,700,770	2,460,395
Food services	1,261,273	-	1,261,273	1,236,735
Job services	5,863	-	5,863	7,036
Total program services	17,381,905	-	17,381,905	16,309,035
Supporting services				
Management and general	2,441,252	-	2,441,252	1,197,192
Fundraising	170,214	-	170,214	144,741
Total supporting services	2,611,466	-	2,611,466	1,341,933
Total expenses	19,993,371	-	19,993,371	17,650,968
Change in net assets	766,413	(96,988)	669,425	7,330,434
Net assets, beginning of year	19,958,038	967,525	20,925,563	13,595,129
Net assets, end of year	\$ 20,724,451	\$ 870,537	\$ 21,594,988	\$ 20,925,563

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

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support, and gains (losses)			
Retail sales	\$ 11,412,841	\$ -	\$ 11,412,841
Contributions - donated inventory	4,333,800	-	4,333,800
Grants	5,982,743	761	5,983,504
Program service fees	1,261,456	-	1,261,456
Contributions of cash and other financial assets	455,896	57,000	512,896
Net investment return	195,212	-	195,212
Other revenue	70,280	-	70,280
Paycheck Protection Program loan forgiveness	1,213,600	-	1,213,600
Loss on disposal of property and equipment	(2,187)	-	(2,187)
Net assets released from restrictions	273,011	(273,011)	-
Total revenue, support, and gains (losses)	25,196,652	(215,250)	24,981,402
Expenses			
Program services			
Retail operations	12,604,869	-	12,604,869
Housing services	2,460,395	-	2,460,395
Food services	1,236,735	-	1,236,735
Job services	7,036	-	7,036
Total program services	16,309,035	-	16,309,035
Supporting services			
Management and general	1,197,192	-	1,197,192
Fundraising	144,741	-	144,741
Total supporting services	1,341,933	-	1,341,933
Total expenses	17,650,968	-	17,650,968
Change in net assets	7,545,684	(215,250)	7,330,434
Net assets, beginning of year	12,412,354	1,182,775	13,595,129
Net assets, end of year	\$ 19,958,038	\$ 967,525	\$ 20,925,563

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, 2022

	Program Services				
	Retail Operations	Housing Services	Food Services	Job Services	Total
Salaries and fringe benefits					
Salaries and wages	\$ 4,018,666	\$ 1,096,768	\$ 374,032	\$ -	\$ 5,489,466
Employee benefits	418,429	132,277	53,288	-	603,994
Taxes and fringe benefits	321,666	80,801	29,640	-	432,107
Total salaries and fringe benefits	4,758,761	1,309,846	456,960	-	6,525,567
Cost of goods sold	4,714,325	-	464,109	-	5,178,434
Cost of goods sold - purchased	648,003	-	-	-	648,003
Rent and lease	639,535	115,233	-	-	754,768
Interest	8,002	8	1,250	-	9,260
Supplies and purchases	370,740	126,331	108,926	1,750	607,747
Utilities	123,014	66,864	16,142	-	206,020
Bad debts	2,219	-	-	-	2,219
Direct client assistance	-	201,612	-	-	201,612
Advertising	144,684	1,505	812	-	147,001
Insurance	69,080	27,576	13,585	-	110,241
Dues and subscriptions	94,868	14,104	10,502	-	119,474
Garbage	222,339	13,325	4,935	-	240,599
Repairs and maintenance	226,163	159,088	37,622	-	422,873
Telephone and cable	31,654	22,347	4,546	-	58,547
Vehicle	101,905	-	68,660	-	170,565
Professional fees	2,865	431,810	12,500	2,100	449,275
Miscellaneous	80,375	16,206	9,335	1,773	107,689
Travel	21,382	7,449	92	187	29,110
Conventions and meetings	963	1,426	90	53	2,532
Office supplies	3,148	1,291	811	-	5,250
Postage	590,702	434	118	-	591,254
Annual bond financing	7,219	-	1,128	-	8,347
Service charges	170,107	-	-	-	170,107
Total expenses before depreciation and amortization	13,032,053	2,516,455	1,212,123	5,863	16,766,494
Depreciation and amortization	381,946	184,315	49,150	-	615,411
Total expenses	\$ 13,413,999	\$ 2,700,770	\$ 1,261,273	\$ 5,863	\$ 17,381,905

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

Supporting Services			
Management and General	Fundraising	Total	Total Expenses
\$ 752,372	\$ 104,553	\$ 856,925	\$ 6,346,391
115,270	4,253	119,523	723,517
76,717	5,709	82,426	514,533
944,359	114,515	1,058,874	7,584,441
-	-	-	5,178,434
-	-	-	648,003
-	-	-	754,768
15,171	-	15,171	24,431
211,025	40,029	251,054	858,801
31,624	-	31,624	237,644
1,765	-	1,765	3,984
-	-	-	201,612
15,673	9,937	25,610	172,611
5,053	-	5,053	115,294
19,514	-	19,514	138,988
2,684	-	2,684	243,283
55,140	-	55,140	478,013
21,934	271	22,205	80,752
18,367	-	18,367	188,932
701,068	1,506	702,574	1,151,849
282,189	1,555	283,744	391,433
8,359	827	9,186	38,296
5,639	467	6,106	8,638
13,113	-	13,113	18,363
3,545	1,107	4,652	595,906
1,375	-	1,375	9,722
58,712	-	58,712	228,819
2,416,309	170,214	2,586,523	19,353,017
24,943	-	24,943	640,354
\$ 2,441,252	\$ 170,214	\$ 2,611,466	\$ 19,993,371

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
Salaries and fringe benefits					
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
Total salaries and fringe benefits	4,451,059	1,590,070	430,246	-	6,471,375
Cost of goods sold	4,335,194	-	476,619	-	4,811,813
Cost of goods sold - purchased	419,069	-	-	-	419,069
Rent and lease	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
Total expenses before depreciation and amortization	12,222,996	2,277,392	1,188,430	7,036	15,695,854
Depreciation and amortization	381,873	183,003	48,305	-	613,181
Total expenses	\$ 12,604,869	\$ 2,460,395	\$ 1,236,735	\$ 7,036	\$ 16,309,035

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

Supporting Services			Total Expenses
Management and General	Fundraising	Total	
\$ 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
790,939	112,202	903,141	7,374,516
-	-	-	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
1,184,337	144,741	1,329,078	17,024,932
12,855	-	12,855	626,036
\$ 1,197,192	\$ 144,741	\$ 1,341,933	\$ 17,650,968

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

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

Consolidated Statements of Cash Flows

	Year Ended September 30	
	2022	2021
Cash flows from operating activities		
Change in net assets	\$ 669,425	\$ 7,330,434
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	635,983	620,879
Loss on disposal of property and equipment	283,944	2,187
Bad debts	3,984	813
Amortization of debt issuance costs	4,371	5,157
Net realized and unrealized loss (gain) on investment securities	1,009,222	(112,881)
Paycheck Protection Program loan forgiveness	-	(1,213,600)
Change in operating assets and liabilities which provided (used) cash:		
Receivables, net	(2,575,486)	243,357
Inventory	(160,558)	(62,341)
Prepaid expenses	26,992	(24,294)
Accounts payable	273,242	(112,314)
Accrued expenses	90,583	2,905
Funds held for others	(9,268)	1,133
Net cash provided by operating activities	252,434	6,681,435
Cash flows from investing activities		
Purchases of investments	(5,587,730)	(577,340)
Purchases and construction of property and equipment	(1,708,338)	(301,935)
Net cash used in investing activities	(7,296,068)	(879,275)
Cash flows from financing activities		
Repayments of long-term debt	(157,395)	(157,243)
Repayments on capital lease obligations	(55,809)	(63,600)
Net cash used in financing activities	(213,204)	(220,843)
Net (decrease) increase in cash, cash equivalents, and restricted cash	(7,256,838)	5,581,317
Cash, cash equivalents, and restricted cash, beginning of year	9,340,065	3,758,748
Cash, cash equivalents, and restricted cash, end of year	\$ 2,083,227	\$ 9,340,065
Reconciliation to Consolidated Statements of Financial Position		
Cash and cash equivalents	\$ 2,064,283	\$ 9,311,853
Restricted cash	18,944	28,212
Cash, cash equivalents, and restricted cash, end of year	\$ 2,083,227	\$ 9,340,065
Supplemental disclosure of cash flows information		
Cash paid for interest	\$ 24,431	\$ 23,954
Non-cash property and equipment included in capital leases	\$ -	\$ 37,500

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, 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 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.
- 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 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 statements 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 \$123,932 and \$103,192 for the years ended September 30, 2022 and 2021, respectively.

The significant accounting policies of the Organization are described below.

Risks and Economic Uncertainties

In March 2020, the World Health Organization declared the novel coronavirus outbreak ("COVID-19") to be a global pandemic. The pandemic has resulted in operational challenges for the Organization as it determines the impact on funders, program recipients, employees, vendors, and other constituents, and the appropriate method for providing services. At this time, management does not believe that any ongoing negative financial impact related to the pandemic, if any, would be material to the Organization.

In January 2023, the Organization applied for the Employee Retention Credit ("ERC") in the amount of \$1,655,233 and has recognized that amount as support in the 2022 statement of activities as all conditions have been met.

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.

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 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.

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 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 September 30, 2022 and 2021. See Note 12.

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.

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

Notes to Consolidated Financial Statements

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, 2022 and 2021.

	2022	2021
Program service fees and other		
Beginning of year	\$ 341,298	\$ 475,607
End of year	\$ 659,217	\$ 341,298

Included in program service fees and other receivables at September 30, 2022 is \$579,281 related to an insurance recovery.

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 year end are recorded as prepaid expenses.

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.

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

Notes to Consolidated Financial Statements

Investment in Real Estate Partnerships

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 6.

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 statements 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.

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

Notes to Consolidated Financial Statements

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, 2022 and 2021 for the amounts due to the entities. There were no charges for accounting services performed in 2022 and 2021.

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 \$12,262 in fiscal 2022 and \$15,626 in fiscal 2021 is included in accrued expenses in the consolidated statements of financial position.

E-commerce Sales

E-commerce sales are included as a component of retail sales in the consolidated statements of activities, and totaled \$1,797,409 and \$1,691,258 as of September 30, 2022 and 2021, respectively. 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.

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

Notes to Consolidated Financial Statements

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.

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.

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, 2022 and 2021, is as follows:

	2022	2021
Retail sales - point in time	\$ 12,073,711	\$ 11,412,841
Program service fees - point in time	604,140	1,261,456

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. Amounts received in excess of expenses or asset acquisitions are reflected as grant funds received in advance, when applicable.

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

Notes to Consolidated Financial Statements

- **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, 2022 and 2021.

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.

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 September 30, 2022, support of approximately \$37,508 has not yet been recognized because qualifying expenses have not yet been incurred.

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 years ended September 30, 2022 and 2021, the Organization recognized contributed merchandise with an estimated fair value of \$4,452,133 and \$4,333,800, respectively. 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 51% and 52% clothing related, 29% and 33% related to household goods, and 20% and 16% consists of other items for the year ended September 30, 2022 and 2021, respectively.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense amounted to \$172,611 and \$134,489 for the years ended September 30, 2022 and 2021, respectively.

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 and Carson Square Goodwill, LLC 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 has elected as an accounting policy to not provide income taxes in the financial statements. Therefore, income taxes are not provided in these 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 2019 through 2022, the years which remain subject to examination as of September 30, 2022. 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, 2022 and 2021, and is not aware of any claims for such amounts by federal or state income tax authorities.

Payroll Protection Program ("PPP")

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 was recognized as PPP loan forgiveness on the 2021 consolidated statement of activities.

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. 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.

Reclassification

Certain amounts as reported in the 2021 financial statements have been reclassified to conform with the 2022 presentation.

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

Notes to Consolidated Financial Statements

Recent Accounting Pronouncement

In September 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2020-07, Presentation and Disclosures by *Not-for-Profit-Entities for Contributed Nonfinancial Assets*. The standard requires nonprofits to expand their financial statement presentation and disclosures of contributed nonfinancial assets, including in-kind contributions. The standard includes disclosure about monetization and utilization during the reporting period, information on donor-imposed restrictions and valuation techniques. The new standard, as amended, is to be applied retrospectively, to annual reporting periods beginning after June 15, 2021. The Organization adopted the standard on October 1, 2021. The standard did not have a material impact on the financial statements and the Organization has updated disclosures as necessary.

Upcoming Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board Issued Accounting Standards Update No.2016-02, Leases(Topic 842). The standard, as amended, will require all leases with durations greater than twelve months to be recognized on the statement of financial position . The new guidance will continue to classify leases as either finance (currently referred to as "capital") or operating with classification affecting the presentation and pattern of expense and income recognition, in the statement of activities. The standard also requires additional quantitative and qualitative disclosures about leasing arrangements. The standard is effective for the Organization beginning October 1, 2022.

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, 2022, the most recent consolidated statement of financial position presented herein, through July 18, 2023, 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:

	2022	2021
Financial assets		
Cash and cash equivalents	\$ 2,064,283	\$ 9,311,853
Receivables, net	2,893,731	350,135
Investments	7,240,964	2,662,445
	<hr/>	<hr/>
Subtotal	12,198,978	12,324,433
Less amounts unavailable for general expenditures within one year due to		
Board-designated net assets	1,400,000	1,400,000
Donor-restricted net assets	870,537	967,525
	<hr/>	<hr/>
Total financial assets available to meet cash needs for general expenditure within one year	\$ 9,928,441	\$ 9,956,908

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.

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

Notes to Consolidated Financial Statements

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 September 30, 2022 and 2021.

Common stocks and 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.

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.

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.

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:

	Level 1	
	September 30	
	2022	2021
Common stocks	\$ 1,967,419	\$ 312,382
Corporate bonds	3,209,706	191,032
Exchange traded funds	-	63,436
Mutual funds		
Small blend	168,055	50,725
Mid-cap blend	169,886	99,943
Large growth	-	255,417
Large blend	332,564	293,728
Fixed income	1,199,557	-
Global real estate	-	72,152
Short-term bond	-	591,264
High yield bond	156,124	80,726
Ultrashort bond	37,653	-
Intermediate-term bond	-	651,640
Total investments at fair value	\$ 7,240,964	\$ 2,662,445

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

Notes to Consolidated Financial Statements

4. INVENTORY

Inventory consists of the following amounts at September 30:

	2022	2021
Donated goods	\$ 357,601	\$ 329,791
Other - purchased goods for sale	298,062	165,314
Total inventory	<u>\$ 655,663</u>	<u>\$ 495,105</u>

5. PROPERTY AND EQUIPMENT

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

	2022	2021
Land	\$ 2,152,715	\$ 2,152,715
Building and improvements	14,319,330	14,225,299
Machinery and equipment	1,277,156	1,300,229
Transportation	929,379	945,436
Leasehold improvements	826,544	751,007
Furniture and fixtures	422,127	424,802
Construction in progress	1,162,834	50,991
Total	21,090,085	19,850,479
Less accumulated depreciation	<u>7,473,690</u>	<u>7,023,281</u>
Net property and equipment	<u>\$ 13,616,395</u>	<u>\$ 12,827,198</u>

Construction in progress at September 30, 2022 relates to remodeling projects on Food Rescue, and Petoskey buildings. Estimated costs to complete these projects is \$2,600,000.

Depreciation expense was to \$572,038 and \$556,569 during 2022 and 2021, respectively.

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

Notes to Consolidated Financial Statements

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 was audited by another auditor as of and for the years ended December 31, 2022 and 2021 for Carson Square LDHALP is as follows:

	2022	2021
Assets	\$ 4,716,148	\$ 4,875,188
Liabilities	1,754,220	1,755,470
Partners' equity	2,961,928	3,119,718
Revenues	307,206	305,409
Net loss	(157,790)	(199,389)

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 \$119,820 and \$81,829 at September 30, 2022 and 2021, 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. The developer fee receivable at September was \$147,656 and \$157,890, at September 30, 2022 and 2021, respectively, and are included in the accompanying consolidated statements of financial position.

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, 2022). There were no borrowings outstanding at September 30, 2022 and 2021. 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

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

	2022	2021
Michigan Strategic Fund bond, requiring semiannual redemptions ranging from \$80,000 to \$105,000, due on April 1 and October 1, with interest charged at the floating LIBOR (effective rate of 4.00% at September 30, 2022). The loan is secured by a letter of credit, and matures on October 1, 2027.	\$ 1,030,000	\$ 1,185,000
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	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
Note payable, repaid in fiscal year 2022.	-	1,609
Total long-term debt	4,030,000	4,186,609
Less unamortized debt issuance costs	15,300	19,671
Long-term debt, less unamortized debt issuance costs	4,014,700	4,166,938
Less current portion	202,182	151,452
Long-term debt, less current portion	\$ 3,812,518	\$ 4,015,486

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, 2022 are as follows:

Year ending September 30	Principal Amount	Debt Issuance Cost Amortization	Net Total
2023	\$ 206,666	\$ 4,484	\$ 202,182
2024	216,666	4,484	212,182
2025	3,101,668	4,484	3,097,184
2026	195,000	1,848	193,152
2027	205,000	-	205,000
Thereafter	105,000	-	105,000
Total	\$ 4,030,000	\$ 15,300	\$ 4,014,700

9. CAPITAL LEASES

The Organization entered into vehicle and equipment capital leases, payable in monthly installments ranging from \$1,445 to \$1,500, with varying maturities through July 2028 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:

	2022	2021
Transportation	\$ 393,867	\$ 393,867
Machinery and equipment	50,910	50,910
Building and improvements	37,500	-
Less accumulated amortization	(345,964)	(282,805)
Net book value	\$ 136,313	\$ 161,972

Amortization expense was to \$63,159 and \$64,310 during 2022 and 2021, respectively.

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, 2022 and thereafter:

Year ending September 30	Amount
2023	\$ 34,670
2024	20,497
2025	20,497
2026	20,497
2027	16,288
Thereafter	<u>23,259</u>
	135,708
Less current portion	<u>34,670</u>
Total minimum payments due	<u>\$ 101,038</u>

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, 2022, 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
2023	\$ 522,792
2024	349,150
2025	331,616
2026	305,364
2027	317,750
Thereafter	<u>1,702,494</u>
Total	<u>\$ 3,529,166</u>

Total rent expense on these leases was \$754,768 and \$666,983 for 2022 and 2021, 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 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 \$7,500 and \$43,000 in 2022 and 2021, 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:

	2022	2021
Purpose restricted:		
Day 1 Families Fund grant to pursue solutions to family homelessness, including providing housing, social services, skills training and job support	\$ 808,760	\$ 920,259
Outreach grant for community policing initiative	60,000	-
Rotary Charities Healthy Food Hub grant	-	38,186
Patriot Place Van Fund	1,777	2,719
Inn vouchers for Bellaire area residents	-	5,000
Restricted funds for purpose of outreach computers	-	930
Community Supply Services grant for homelessness diversion	-	431
	<hr/>	<hr/>
Total net assets with donor restrictions	<u>\$ 870,537</u>	<u>\$ 967,525</u>

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:

	2022	2021
Purpose restriction satisfied:		
Day 1 Families Fund grant to pursue solutions to to family homelessness, including providing housing, social services, skills training and job support	\$ 111,500	\$ 212,830
Purchase of various items for Food Rescue	38,186	-
Patriot Place Van Fund	942	4,281
Purchase of computers	930	1,070
Assistance provided for Social Service Agencies	5,000	-
Purchase of computers and other items for Homelessness Diversion	1,116	-
Purchase of fire extinguishers for Outreach	802	-
Rotary Charities of Traverse City Learning:		
DEI Training	2,000	-
Good Partner Vouchers for use in Charlevoix	5,000	-
Donations to Food Rescue to purchase chicken for Protein for the People	2,886	-
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	-	-
Other	250	330
Total released from restriction	<u>\$ 168,612</u>	<u>\$ 273,011</u>

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

In March 2023, GWI opened an outlet store in the back of the Traverse City location. This allows the Organization to sell products by the pound before needing to salvage the items.



INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY CONSOLIDATING INFORMATION

July 18, 2023

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, 2022 and 2021 and have issued our report thereon dated July 18, 2023, 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 2022 consolidating and 2021 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 Lobson LLC



SUPPLEMENTARY INFORMATION

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

Consolidating Statement of Financial Position

September 30, 2022

(with summary totals as of September 30, 2021)

	Goodwill Industries of Northern Michigan, Inc.	G.W. Homeless Services of Northern Michigan, Inc.	Carson Square, LLC	Carson Square Goodwill, LLC	Eliminations	Totals	
						2022	2021
ASSETS							
Current assets							
Cash and cash equivalents	\$ 1,903,607	\$ 160,676	\$ -	\$ -	\$ -	\$ 2,064,283	\$ 9,311,853
Restricted cash	18,944	-	-	-	-	18,944	28,212
Receivables							
Grants	-	-	-	-	-	-	8,837
Program service fees and other, net	1,238,498	-	-	-	-	1,238,498	341,298
Employee retention credit refund	1,655,233	-	-	-	-	1,655,233	-
Intercompany receivable	1,869,823	-	-	612,042	(2,481,865)	-	-
Total receivables, net	4,763,554	-	-	612,042	(2,481,865)	2,893,731	350,135
Inventory	655,663	-	-	-	-	655,663	495,105
Prepaid expenses	68,426	-	-	-	-	68,426	95,418
Total current assets	7,410,194	160,676	-	612,042	(2,481,865)	5,701,047	10,280,723
Developer fee receivable	-	-	-	147,656	-	147,656	157,890
Accounts receivable - Carson Square LDHALP	119,820	-	106	-	-	119,926	81,829
Net property and equipment	10,810,852	2,805,543	-	-	-	13,616,395	12,827,198
Investments	7,240,964	-	-	-	-	7,240,964	2,662,445
Investment in subsidiaries	758,921	-	-	-	(758,921)	-	-
Investment in real estate partnership	-	-	53,935	-	-	53,935	53,946
Total assets	\$ 26,340,751	\$ 2,966,219	\$ 54,041	\$ 759,698	\$ (3,240,786)	\$ 26,879,923	\$ 26,064,031

See independent auditors' report on supplementary consolidating information.

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

Consolidating Statement of Financial Position

September 30, 2022

(with summary totals as of September 30, 2021)

	Goodwill Industries of Northern Michigan, Inc.	G.W. Homeless Services of Northern Michigan, Inc.	Carson Square, LLC	Carson Square Goodwill, LLC	Eliminations	Totals	
						2022	2021
LIABILITIES AND NET ASSETS							
Current liabilities							
Accounts payable	\$ 473,713	\$ -	\$ -	\$ -	\$ -	\$ 473,713	\$ 200,471
Accrued expenses	641,870	-	-	-	-	641,870	551,287
Funds held for others	18,944	-	-	-	-	18,944	28,212
Current portion of long-term debt	202,182	-	-	-	-	202,182	151,452
Current portion of capital lease obligations	34,670	-	-	-	-	34,670	56,675
Intercompany payable	612,042	1,815,011	54,812	-	(2,481,865)	-	-
Total current liabilities	1,983,421	1,815,011	54,812	-	(2,481,865)	1,371,379	988,097
Long-term debt, net of current portion	3,812,518	-	-	-	-	3,812,518	4,015,486
Capital lease obligations, net of current portion	101,038	-	-	-	-	101,038	134,885
Total liabilities	5,896,977	1,815,011	54,812	-	(2,481,865)	5,284,935	5,138,468
Net assets							
Without donor restrictions							
Board designated	1,400,000	-	-	-	-	1,400,000	1,400,000
Net investment in property and equipment	9,660,444	2,805,543	-	-	-	12,465,987	11,468,700
Undesignated (deficit)	8,512,793	(1,654,335)	(771)	759,698	(758,921)	6,858,464	7,089,338
Total net assets without donor restrictions	19,573,237	1,151,208	(771)	759,698	(758,921)	20,724,451	19,958,038
With donor restrictions	870,537	-	-	-	-	870,537	967,525
Total net assets (deficit)	20,443,774	1,151,208	(771)	759,698	(758,921)	21,594,988	20,925,563
Total liabilities and net assets	\$ 26,340,751	\$ 2,966,219	\$ 54,041	\$ 759,698	\$ (3,240,786)	\$ 26,879,923	\$ 26,064,031

See independent auditors' report on supplementary consolidating information.

GOODWILL INDUSTRIES OF NORTHERN MICHIGAN AND AFFILIATES

Consolidating Statement of Activities

Year Ended September 30, 2022

(with summary totals for the year ended September 30, 2021)

	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		2022	2021
Revenue, support, and gains (losses)								
Retail sales	\$ 12,073,711	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,073,711	\$ 11,412,841
Contributions - donated inventory	4,452,133	-	-	-	-	-	4,452,133	4,333,800
Grants	1,562,106	60,686	-	-	-	-	1,622,792	5,983,504
Program service fees	604,140	-	-	-	-	-	604,140	1,261,456
Contributions of cash and other financial assets	572,390	10,938	-	-	-	-	583,328	512,896
Net investment (loss) return	(1,009,254)	-	32	-	-	-	(1,009,222)	195,212
Other revenue	230,344	-	-	(11)	(10,030)	10,041	230,344	70,280
Insurance recovery	734,281	-	-	-	-	-	734,281	-
Employer retention credit refund	1,655,233	-	-	-	-	-	1,655,233	-
Paycheck Protection Program loan forgiveness	-	-	-	-	-	-	-	1,213,600
Loss on disposal of property and equipment	(283,944)	-	-	-	-	-	(283,944)	(2,187)
Net assets released from restrictions	168,612	(168,612)	-	-	-	-	-	-
Total revenue, support, and gains (losses)	20,759,752	(96,988)	32	(11)	(10,030)	10,041	20,662,796	24,981,402
Expenses								
Program services								
Retail operations	13,413,999	-	-	-	-	-	13,413,999	12,604,869
Housing services	2,583,069	-	117,701	-	-	-	2,700,770	2,460,395
Food services	1,261,273	-	-	-	-	-	1,261,273	1,236,735
Job services	5,863	-	-	-	-	-	5,863	7,036
Total program services	17,264,204	-	117,701	-	-	-	17,381,905	16,309,035
Supporting services								
Management and general	2,441,252	-	-	-	-	-	2,441,252	1,197,192
Fundraising	170,214	-	-	-	-	-	170,214	144,741
Total supporting services	2,611,466	-	-	-	-	-	2,611,466	1,341,933
Total expenses	19,875,670	-	117,701	-	-	-	19,993,371	17,650,968
Change in net assets	884,082	(96,988)	(117,669)	(11)	(10,030)	10,041	669,425	7,330,434
Net assets (deficit), beginning of year	18,689,155	967,525	1,268,877	(760)	769,728	(768,962)	20,925,563	13,595,129
Net assets (deficit), end of year	\$ 19,573,237	\$ 870,537	\$ 1,151,208	\$ (771)	\$ 759,698	\$ (758,921)	\$ 21,594,988	\$ 20,925,563

See independent auditors' report on supplementary consolidating information.