

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

Financial Statements

December 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Goodwill Industries of Mississippi, Inc.

Qualified Opinion

We have audited the accompanying financial statements of Goodwill Industries of Mississippi, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, activities by function, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, except for the possible effects on the 2023 financial statements of the matter described in the Basis for Qualified Opinion section of our report, the 2023 financial statements referred to above present fairly, in all material respects, the financial position of Goodwill Industries of Mississippi, Inc. as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

As discussed in Note 2 to the financial statements, Goodwill Industries of Mississippi, Inc. does not record the value of donated goods received until such assets are sold. In our opinion, Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-605, *Accounting for Contributions Received and Contributions Made*, requires Goodwill Industries of Mississippi, Inc. to recognize such contributions as revenues and assets in the period received at the estimated fair value of the donated goods. Quantification of the effects of that departure from U.S. generally accepted accounting principles on the financial statements of Goodwill Industries of Mississippi, Inc. is not practicable.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Goodwill Industries of Mississippi, Inc. 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.

Prior Period Financial Statements

The financial statements as of and for the year ended December 31, 2022, were audited by Haddox Reid Eubank Betts PLLC, who merged with BMSS, LLC as of December 1, 2023, and whose report dated July 13, 2023, expressed a qualified opinion on those statements because of the departure from generally accepted accounting principles described in the Basis for Qualified Opinion section of our report..

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Goodwill Industries of Mississippi, Inc.'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Goodwill Industries of Mississippi Inc.'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.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 2023 supplemental schedule of cash and cash equivalents on page 23 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The 2022 supplemental schedule of cash and cash equivalents on page 23 was subjected to the auditing procedures applied in the 2022 audit of the basic financial statements by Haddox Reid Eubank Betts PLLC, whose report on such information stated that it was fairly stated in all material respects in relation to the 2022 financial statements as a whole.

BMSS, LLC

Ridgeland, Mississippi
September 15, 2024

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.Statements of Financial Position
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 6,046,650	\$ 5,097,540
Accounts receivable	252,797	93,744
Inventory	1	1
Prepaid expenses	287,740	212,595
	<u>6,587,188</u>	<u>5,403,880</u>
Investments	1,406,167	1,248,699
Land, buildings, and equipment, net	5,024,976	3,372,367
Operating lease right-of-use assets	4,281,555	2,571,946
	<u>\$ 17,299,886</u>	<u>\$ 12,596,892</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 137,103	\$ 135,067
Accrued liabilities	335,873	294,313
Current portion of notes payable	165,005	101,005
Current portion of operating lease liabilities	510,342	597,840
	<u>1,148,323</u>	<u>1,128,225</u>
Noncurrent liabilities		
Notes payable, net of current portion	3,172,266	2,059,457
Operating lease liabilities, net of current portion	3,826,411	2,011,751
	<u>6,998,677</u>	<u>4,071,208</u>
Total liabilities	8,147,000	5,199,433
Net assets without donor restrictions	9,152,886	7,397,459
Total liabilities and net assets	<u>\$ 17,299,886</u>	<u>\$ 12,596,892</u>

See notes to financial statements.

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

Statements of Activities
Years ended December 31, 2023 and 2022

	2023	2022
Revenue and support		
Operations		
Store sales	\$ 7,700,228	\$ 6,019,998
Vocational services	953,258	769,242
Salvage	662,505	1,386,381
E-Commerce	469,715	471,256
Grant income	378,871	195,721
Total operations	10,164,577	8,842,598
Contributions		
Goodwill Industries Volunteer Services	9,933	38,850
Other	131,745	109,350
Total contributions	141,678	148,200
Total revenue and support	10,306,255	8,990,798
Cost of goods sold	192,276	182,500
Gross profit	10,113,979	8,808,298
Expenses		
Advertising	13,522	10,621
Awards, contributions, and grants	6,302	15,794
Credit card fees	160,641	123,523
Depreciation	357,005	140,639
Insurance	116,029	69,727
Membership	164,785	65,381
Miscellaneous	82,310	35,941
Occupancy	935,866	1,014,118
Personnel costs	5,132,744	4,324,949
Postage	9,878	505
Printing and publications	16,695	9,886
Professional and other administrative costs	190,748	113,531
Repair and maintenance	78,305	77,495

See notes to financial statements.

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

Statements of Activities
Years ended December 31, 2023 and 2022
(Continued)

	2023	2022
Expenses - Continued		
Specific assistance	\$ 7,797	\$ 14,440
Supplies	187,856	194,522
Taxes and licenses	4,106	3,359
Technology	117,956	76,574
Telephone and utilities	266,639	173,610
Travel and conferences	157,456	98,515
Waste disposal	373,672	273,228
Total expenses	8,380,312	6,836,358
Non-operating activities		
Interest and miscellaneous income	56,568	18,779
Interest expense	(166,602)	-
Unrealized gain (loss) on investments	131,794	(247,883)
Loss on disposition of land, buildings and equipment	-	(7,497)
Total non-operating activities	21,760	(236,601)
Change in net assets	1,755,427	1,735,339
Net assets without donor restrictions, beginning of year	7,397,459	5,662,120
Net assets without donor restrictions, end of year	\$ 9,152,886	\$ 7,397,459

See notes to financial statements.

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

Statements of Activities by Function
Year ended December 31, 2023

	Program Services					Management and Administrative Services	Total
	Stores and Contributed Goods	Vocational	Grants and		E-Commerce		
	Production		Contracts	Salvage			
Revenue and support							
Operations	\$ 7,700,228	\$ 953,258	\$ 378,871	\$ 662,505	\$ 469,715	\$ -	\$ 10,164,577
Contributions	-	-	-	-	-	141,678	141,678
Total revenue and support	7,700,228	953,258	378,871	662,505	469,715	141,678	10,306,255
Cost of goods sold	106,679	-	-	-	85,597	-	192,276
Gross profit	7,593,549	953,258	378,871	662,505	384,118	141,678	10,113,979
Expenses							
Advertising	100	-	473	-	-	12,949	13,522
Awards, contributions, and grants	3,654	5	250	-	-	2,393	6,302
Credit card fees	159,657	-	-	-	40	944	160,641
Depreciation	356,618	-	-	-	-	387	357,005
Insurance	110,341	-	-	-	-	5,688	116,029
Membership	120,967	15,034	6,475	10,449	7,046	4,814	164,785
Miscellaneous	2,442	280	62,301	-	98	17,189	82,310
Occupancy	899,552	286	-	-	7,700	28,328	935,866
Personnel costs	2,962,800	662,262	286,121	44,915	186,321	990,325	5,132,744
Postage	6,249	-	44	-	-	3,585	9,878
Printing and publications	1,772	-	414	-	-	14,509	16,695
Professional and other administrative costs	50,978	-	-	-	-	139,770	190,748
Repair and maintenance	67,038	-	-	6,641	-	4,626	78,305
Specific assistance	90	-	-	-	-	7,707	7,797
Supplies	62,038	1,604	10,962	4,817	3,157	105,278	187,856
Taxes and licenses	4,102	-	-	-	-	4	4,106
Technology	25,826	211	19,007	-	1,866	71,046	117,956
Telephone and utilities	241,603	2,400	3,365	-	1,958	17,313	266,639
Travel and conferences	27,517	11,186	39,976	-	3,366	75,411	157,456
Waste disposal	370,387	-	-	-	-	3,285	373,672
Total expenses	5,473,731	693,268	429,388	66,822	211,552	1,505,551	8,380,312
Non-operating activities							
Interest and miscellaneous income	-	-	-	-	-	56,568	56,568
Interest expense	-	-	-	-	-	(166,602)	(166,602)
Unrealized gain on investments	-	-	-	-	-	131,794	131,794
Total non-operating activities	-	-	-	-	-	21,760	21,760
Change in net assets	\$ 2,119,818	\$ 259,990	\$ (50,517)	\$ 595,683	\$ 172,566	\$ (1,342,113)	\$ 1,755,427

See notes to financial statements.

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

Statements of Activities by Function

Year ended December 31, 2022

	Program Services					Management and Administrative Services	Total
	Stores and Contributed Goods	Vocational	Grants and Contracts	Salvage	E-Commerce		
	Production						
Revenue and support							
Operations	\$ 6,019,998	\$ 769,242	\$ 195,721	\$ 1,386,381	\$ 471,256	\$ -	\$ 8,842,598
Contributions	-	-	-	-	-	148,200	148,200
Total revenue and support	6,019,998	769,242	195,721	1,386,381	471,256	148,200	8,990,798
Cost of goods sold	104,603	-	-	-	77,897	-	182,500
Gross profit	5,915,395	769,242	195,721	1,386,381	393,359	148,200	8,808,298
Expenses							
Advertising	335	-	-	-	-	10,286	10,621
Awards, contributions, and grants	12,284	800	11	-	-	2,699	15,794
Credit card fees	123,296	-	-	-	40	187	123,523
Depreciation	140,189	-	-	-	-	450	140,639
Insurance	65,032	-	-	-	-	4,695	69,727
Membership	42,248	5,376	1,992	9,689	3,293	2,783	65,381
Miscellaneous	5,942	309	15,251	-	445	13,994	35,941
Occupancy	959,479	-	-	-	18,241	36,398	1,014,118
Personnel costs	2,525,402	493,168	174,852	50,234	137,318	943,975	4,324,949
Postage	337	-	-	-	-	168	505
Printing and publications	1,551	-	-	-	-	8,335	9,886
Professional and other administrative costs	23,294	-	-	-	-	90,237	113,531
Repair and maintenance	75,595	-	-	676	558	666	77,495
Specific assistance	381	-	-	-	-	14,059	14,440
Supplies	58,342	730	1,994	4,316	2,289	126,851	194,522
Taxes and licenses	3,359	-	-	-	-	-	3,359
Technology	31,571	245	13,079	-	1,017	30,662	76,574
Telephone and utilities	154,325	1,440	2,843	-	1,901	13,101	173,610
Travel and conferences	4,112	15,441	37,912	49	-	41,001	98,515
Waste disposal	270,548	-	-	-	-	2,680	273,228
Total expenses	4,497,622	517,509	247,934	64,964	165,102	1,343,227	6,836,358
Non-operating activities							
Interest and miscellaneous income	-	-	-	-	-	18,779	18,779
Unrealized loss on investments	-	-	-	-	-	(247,883)	(247,883)
Loss on disposition of land, buildings and equipment	(7,497)	-	-	-	-	-	(7,497)
Total non-operating activities	(7,497)	-	-	-	-	(229,104)	(236,601)
Change in net assets	\$ 1,410,276	\$ 251,733	\$ (52,213)	\$ 1,321,417	\$ 228,257	\$ (1,424,131)	\$ 1,735,339

See notes to financial statements.

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

Statements of Cash Flows

Years ended December 31, 2023 and 2022

	2023	2022
Operating Activities		
Change in net assets	\$ 1,755,427	\$ 1,735,339
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	357,005	140,639
Noncash operating lease expense	704,812	831,485
Unrealized (gain) loss on investments	(131,794)	247,883
Loss on disposition of land, buildings, and equipment	-	7,497
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(159,053)	55,304
Increase in prepaid expense	(75,145)	(117,106)
Decrease in operating lease liabilities	(687,259)	(793,840)
Increase in accounts payable and accrued liabilities	43,596	187,496
Net cash provided by operating activities	1,807,589	2,294,697
Investing Activities		
Purchases of investments	(25,674)	(20,694)
Purchases of land, buildings, and equipment	(2,009,614)	(2,806,623)
Net cash used in investing activities	(2,035,288)	(2,827,317)
Financing Activities		
Proceeds from notes payable	1,325,000	2,160,462
Principal paid on notes payable	(148,191)	-
Net cash provided by financing activities	1,176,809	2,160,462
Net increase in cash and cash equivalents	949,110	1,627,842
Cash and cash equivalents at beginning of year	5,097,540	3,469,698
Cash and cash equivalents at end of year	\$ 6,046,650	\$ 5,097,540
Supplemental Disclosure of Noncash Investing and Financing Activities		
Operating lease right-of-use assets and lease liabilities recognized at January 1, 2022	\$ -	\$ 3,365,566
Operating lease right-of-use assets and lease liabilities recognized	\$ 2,347,034	\$ -

See notes to financial statements.

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

Notes to Financial Statements

December 31, 2023 and 2022

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

Goodwill Industries of Mississippi, Inc. (Goodwill) was incorporated under the laws of the State of Mississippi on September 9, 1955, as a nonprofit corporation and has qualified as a tax-exempt organization under the Internal Revenue Code. Goodwill is a voluntary health and welfare organization that provides training and employment opportunities and sells donated goods to residents within the State of Mississippi.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (GAAP).

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-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 restrictions.

Net Assets with Donor Restrictions

Net assets subject to donor-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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Goodwill reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions and Gifts

Cash contributions are recorded as support when received unless specified for use in future periods. Periodically, the governing board allocates various contributions to be set aside for scholarship grants.

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

Notes to Financial Statements

December 31, 2023 and 2022

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Contributions and Gifts - Continued

Goodwill reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Currently, all net assets of Goodwill are not restricted by donor-imposed stipulations.

Government and Other Grants

Goodwill receives grants from governmental agencies and certain foundations that are considered contributions under GAAP. Goodwill recognizes income from these grants as revenue and support only to the extent that expenditures have been made for the purposes specified by the grant agreement.

Functional Allocation of Expenses

The costs of program services and other activities have been summarized on a functional basis in the accompanying statement of activities by function. Certain costs have been allocated among the program services and management and general expense categories based on estimates made by management.

Cash and Cash Equivalents

Cash and cash equivalents include cash, money market accounts, and other highly liquid investments with original maturities of three months or less. Because of the short-term nature of these investments, the estimated fair value of these investments approximates cost.

Accounts Receivable and the Allowance for Credit Losses

Accounts receivable generally consists of amounts due from the Mississippi Department of Rehabilitation Services (MDRS). The MDRS contracts with Goodwill to provide certain professional services in connection with training of individuals to join the workforce. Management anticipates these amounts are fully collectible, and consequently, there is no allowance for credit losses recorded in the accompanying financial statements.

Goodwill pooled its receivables based on similar risk characteristics in estimating its expected credit losses. In situations where a receivable does not share the same risk characteristics with other receivables, Goodwill measures those receivables individually. The Company continuously evaluates such pooling decisions and adjusts as needed from period to period as risk characteristics change.

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

Notes to Financial Statements

December 31, 2023 and 2022

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Inventory

The value of donated goods is not recognized as an asset or as revenues or gains until such assets are sold. Consequently, the fair value of donated assets on hand at December 31, 2023 and 2022, is not included in the accompanying statements of financial position, as required by GAAP. The effect of this departure from GAAP on the 2023 and 2022 financial statements has not been quantified.

Property and Equipment

Depreciable assets are shown in the accompanying statements of financial position at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of the assets ranging from five to thirty-nine years and is computed using the straight-line method. Maintenance, repairs, and minor renewals are charged to expense, whereas additions and major improvements are capitalized at cost. Items of land, buildings, and equipment retired or otherwise disposed of are removed from the asset and related accumulated depreciation accounts and any profits or losses from the disposition of assets are credited or charged through income.

Income Taxes

The Internal Revenue Service has recognized Goodwill as being exempt from Federal and state income taxes under the provisions of the Internal Revenue Code Section 501(c)(3). However, Goodwill files an annual information return Form 990 with the Internal Revenue Service. Goodwill does not have unrelated business income and, therefore, does not file tax Form 990-T.

Accounting standards require the recognition and measurement of uncertain tax positions taken or expected to be taken by Goodwill in income tax issues. Goodwill has evaluated its tax positions and determined that it does not have any liability that should be accrued under the standards related to uncertain tax positions.

Leases

The lease standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Lease liabilities are recognized at the present value of the future minimum lease payments over the lease term as of the commencement date plus any option periods that are probable of being exercised at the lease inception. Lease assets are recognized as the present value of future minimum lease payments over the lease term as of the commencement date, plus any initial direct costs incurred and lease payments made, less any lease incentives received. After the commencement date, lease cost for an operating lease is recognized over the remaining lease term on a straight-line basis.

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

Notes to Financial Statements

December 31, 2023 and 2022

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Leases - Continued

Goodwill determines if an arrangement contains a lease at inception. If an arrangement is considered a lease, Goodwill determines at the commencement date whether the lease is an operating or finance lease. Goodwill only has operating leases, and therefore, after the commencement date, lease cost for the operating lease is recognized over the remaining lease term on a straight-line basis. Lease cost related to short-term leases is recognized on a straight-line basis over the lease term.

Revenue Recognition

Goodwill recognizes multiple revenue streams accounted for under FASB ASC 606, *Revenue from Contracts with Customers*, as follows:

Store Sales - Store sales consist of the sale of donated goods and new goods, and the sale of each individual item is recorded at the point of sale, the point at which the performance obligation for each individual item sold is met. Store sales do not include sales tax, because Goodwill is a pass-through conduit for collecting and remitting sales taxes. Returns are not allowed within the stores. Store merchandise is priced as marked or labeled.

Vocational Service - Vocational services are services provided by Goodwill to other organizations or private individuals for the purpose of training individuals for permanent employment. Performance obligations under each contract are defined in terms of the various performance indicators. Revenue for these services is recognized when the service has been provided as determined by the satisfactory completion of the contracts' defined performance indicators.

Salvage - Salvage revenue consists of donated goods that were unable to be sold in Goodwill's retail stores and are sold on the after-retail market. Salvage is sold in bundles FOB shipping at prices determined by existing customer agreements, and revenue from each individual bundle is recognized when the bundle is shipped to the customer.

E-commerce - E-commerce sales consist of sales of donated books, jewelry, clothes, musical instruments and other items on ShopGoodwill.com, and related shipping and handling revenue. E-commerce sales are sold FOB shipping, and therefore, sales are recorded when the goods are shipped, the point at which the performance obligation for each individual item is met.

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

Notes to Financial Statements

December 31, 2023 and 2022

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Estimates

In preparing Goodwill's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The statements of activities by function present expenses by function and natural classification. Goodwill allocates its expenses on a functional basis among its various program services and supporting activities. Expenses that can be identified with a specific program and supporting activity are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated on the basis of estimates of square footage and time and effort.

General Litigation

Goodwill is subject to claims that arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position or results of operations of Goodwill.

Cost of Goods Sold

Cost of goods sold, reflected in the accompanying statements of activities, represents the cost of items purchased and resold by Goodwill during the years ended December 31, 2023 and 2022.

NOTE 3 - INVESTMENTS

Authoritative guidance establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level I measurements) and the lowest priority to unobservable inputs (Level III measurements). The three levels of the fair value hierarchy are described as follows:

Level I - Unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

Notes to Financial Statements

December 31, 2023 and 2022

(Continued)

NOTE 3 - INVESTMENTS - Continued

Level II - Observable inputs other than quoted prices included in Level I that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level III - Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Company's own assumptions about the assumptions a market participant would use in valuing the asset or liability and would be based on the best information available.

The availability of observable inputs can vary greatly and is affected by a wide variety of factors, including, for example, the type of instrument, whether the instrument is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the instrument. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level III.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. For disclosure purposes, the asset or liability'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 measurement.

Goodwill holds an investment portfolio managed by a professional investment management group where funds are invested based on investment objectives determined by Goodwill. Fiduciary oversight of the portfolio is provided by the Board of Directors. These investments are recorded at fair value and are included in the accompanying statements of financial position. These investments consist of mutual funds and a money market fund, which have quoted prices in active markets (Level 1). Cost and fair value of these investments as of December 31, 2023 and 2022, are as follows:

	<u>2023</u>	<u>2022</u>
Cost of mutual funds - investments	\$ 1,274,373	\$ 1,496,582
Cost of money market fund - cash and cash equivalents	346,015	342,694
Net unrealized gains (losses) on investments	131,794	(247,883)
Fair value	<u>\$ 1,752,182</u>	<u>\$ 1,591,393</u>

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

Notes to Financial Statements
December 31, 2023 and 2022
(Continued)

NOTE 4 - LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment at December 31, 2023 and 2022, are comprised of:

	<u>2023</u>	<u>2022</u>
Land	\$ 260,561	\$ 170,561
Buildings	2,666,731	351,341
Machinery and equipment	72,999	62,526
Automobiles and transportation equipment	440,112	337,790
Office furniture and equipment	938,601	596,951
Leasehold improvements	2,387,741	736,079
Construction in progress	-	2,533,024
	<u>6,766,745</u>	<u>4,788,272</u>
Less accumulated depreciation	1,741,769	1,415,905
	<u>\$ 5,024,976</u>	<u>\$ 3,372,367</u>

On December 15, 2022, Goodwill purchased property in Greenville, Mississippi, consisting of land and building for \$2,410,462, which will be used for a retail store in that location. Since the purchase, Goodwill made improvements totaling \$227,562. The Greenville store did not open until February 23, 2023; therefore, the building and improvements are included in construction in progress above as of December 31, 2022.

NOTE 5 - NOTE PAYABLE

On August 12, 2022, Goodwill entered into a term note payable with a financial institution for \$2,160,242. Beginning January 12, 2023, the note is payable in monthly installments of \$17,052, including interest at 4.90%, with a balloon payment due on November 12, 2029. The note is collateralized by the land and building of Goodwill's Greenville retail store location.

On February 15, 2023, Goodwill entered into a term note payable with a financial institution for \$1,325,000. Beginning March 15, 2023, the note is payable in monthly installments of \$11,017, including interest at 5.69%, with a balloon payment due on February 15, 2030. The note is collateralized by the land and building of Goodwill's Hattiesburg retail store location.

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

Notes to Financial Statements

December 31, 2023 and 2022

(Continued)

NOTE 5 - NOTES PAYABLE - Continued

Maturities of the notes payable for years subsequent to December 31, 2023, are as follows:

2024	\$ 165,005
2025	176,099
2026	185,461
2027	195,324
2028	205,714
Thereafter	<u>2,409,668</u>
	<u>\$ 3,337,271</u>

NOTE 6 - LEASES

Goodwill has obligations as a lessee for retail space. Goodwill has classified these leases as operating leases. As of December 31, 2023, Goodwill had remaining lease terms up to five years, and some leases have renewal options up to twenty-two years that they intend, but are not reasonably certain, to exercise. Variable lease costs are insignificant and are recognized as variable costs when incurred.

Rent expense for noncancellable operating leases for the years ended December 31, 2023 and 2022, totaled approximately \$850,000 and \$930,000, respectively.

Future minimum lease payments for operating leases as of December 31, 2023, is as follows:

2024	\$ 595,875
2025	578,051
2026	453,556
2027	453,656
2028	409,977
Thereafter	<u>2,448,107</u>
	4,939,222
Less imputed interest	<u>602,469</u>
	<u>\$ 4,336,753</u>

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

Notes to Financial Statements

December 31, 2023 and 2022

(Continued)

NOTE 6 - LEASES - Continued

The weighted-average remaining lease term related to Goodwill's lease liability as of December 31, 2023 and 2022, was 2.1 and 5.43 years, respectively. The weighted-average discount rate related to Goodwill's lease liability as of December 31, 2023 and 2022, was 2.10% and 1.33%, respectively. Goodwill has elected to use the risk-free rate for its leases.

NOTE 7 - CONCENTRATIONS OF CREDIT RISK

Goodwill has cash balances in accounts held by four financial institutions at December 31, 2023 and 2022, respectively, and, at times, balances may exceed federally insured limits. Goodwill has never experienced any losses related to these balances. These cash balances in excess of federal insured limits totaled \$5,248,770 and \$4,355,614 on December 31, 2023 and 2022, respectively.

NOTE 8 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of December 31, 2023 and 2022, are comprised of the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 6,046,650	\$ 5,097,540
Accounts receivable	252,797	93,744
Investments	1,406,167	1,248,699
Total available for general expenditures within one year	<u>\$ 7,705,614</u>	<u>\$ 6,439,983</u>

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the date of the statements of financial position. The accounts receivable are subject to implied time restrictions but are expected to be collected within one year. Goodwill has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

Notes to Financial Statements
December 31, 2023 and 2022
(Continued)

NOTE 9 - ADOPTION OF NEW ACCOUNTING STANDARD

Goodwill adopted Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses (Topic 326)* as of January 1, 2023. ASU 2016-13 introduces a new credit methodology, Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk.

The CECL methodology utilizes a lifetime “expected credit loss” measurement objective for the recognition of credit losses for contracts and other receivables. The expected credit loss are adjusted each period for changes in expected lifetime credit losses. The Company believes expected credit losses are immaterial and accordingly no allowance was provided upon adoption.

NOTE 10 - SUBSEQUENT EVENTS

Goodwill had no subsequent events of a material nature requiring adjustment to or disclosure in the financial statements through September 15, 2024, the date the financial statements were approved by Goodwill’s management and thereby available to be issued.

SUPPLEMENTAL INFORMATION

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

Schedules of Cash and Cash Equivalents

December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
BankPlus	\$ 798,923	\$ 800,065
Cadence Bank	119,038	117,200
Edward Jones	26,637	25,355
First Commercial Bank	100,783	100,632
Trustmark National Bank	4,995,969	4,049,388
Change Fund	5,300	4,900
	<u>\$ 6,046,650</u>	<u>\$ 5,097,540</u>