



**MERS/MISSOURI GOODWILL INDUSTRIES AND
AFFILIATES**

COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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Independent Auditor's Report

To the Board of Directors
MERS/Missouri Goodwill Industries and Affiliates
St. Louis, Missouri

We have audited the accompanying combined financial statements of MERS/Missouri Goodwill Industries and Affiliates (collectively the "Agency") (a nonprofit organization), which comprise the combined statements of financial position as of December 31, 2019 and 2018, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of MERS/Missouri Goodwill Industries and affiliates as of December 31, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 18, 2020 and 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 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 Agency's internal control over financial reporting and compliance.

Brown Smith Wallace, LLP

St. Louis, Missouri
March 18, 2020

MERS/MISSOURI GOODWILL INDUSTRIES AND AFFILIATES

**COMBINED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018**

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
Current Assets		
Cash and cash equivalents	\$ 2,694,238	\$ 1,494,599
Accounts receivable (net of allowance for potentially uncollectible accounts of \$55,322 and \$82,873 as of December 31, 2019 and 2018, respectively)	10,659,266	6,136,994
Promises to give	578,839	607,432
Inventories	3,198,456	2,991,345
Prepaid expenses	419,130	330,285
Investments, at fair value	20,512,007	16,463,819
Total Current Assets	<u>38,061,936</u>	<u>28,024,474</u>
Other assets	-	65,815
Beneficial interest in trusts, at fair value	1,457,384	1,238,026
Property and equipment, net	77,960,919	78,022,682
Construction in progress	1,781,460	233,067
Investments, at fair value	68,443	87,728
Total Assets	<u>\$ 119,330,142</u>	<u>\$ 107,671,792</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Bank overdraft	\$ -	\$ 796,475
Current maturities of long-term debt	250,674	242,320
Line of credit	8,778,665	9,778,665
Accounts payable	3,798,872	4,042,176
Accrued expenses	5,027,082	4,697,850
Deferred revenue	285,884	305,819
Total Current Liabilities	<u>18,141,177</u>	<u>19,863,305</u>
Long-Term Debt, Less Current Maturities	<u>12,106,833</u>	12,357,567
Total Liabilities	<u>30,248,010</u>	<u>32,220,872</u>
Net Assets		
Without donor restriction	<u>86,935,876</u>	73,604,368
With donor restriction		
Time-restricted for future periods	688,872	608,526
Perpetual in nature	1,457,384	1,238,026
Total Net Assets	<u>89,082,132</u>	<u>75,450,920</u>
Total Liabilities and Net Assets	<u>\$ 119,330,142</u>	<u>\$ 107,671,792</u>

The Notes to Combined Financial Statements are an integral part of these statements.

MERS/MISSOURI GOODWILL INDUSTRIES AND AFFILIATES**COMBINED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019		
	Without Donor Restrictions	With Donor Restriction	Total
Public Support			
Contributions of inventory	\$ 72,448,411	\$ -	\$ 72,448,411
Associated organizations	-	664,839	664,839
Other contributions	1,243,802	617,318	1,861,120
Total Public Support	<u>73,692,213</u>	<u>1,282,157</u>	<u>74,974,370</u>
Revenue			
Stores and salvage sales	74,418,216	-	74,418,216
Contract services	7,383,604	-	7,383,604
Employment and training	30,083,762	-	30,083,762
Sheltered workshop	1,065,001	-	1,065,001
Other program services	750,163	-	750,163
Investment gain, net of fees	3,737,523	-	3,737,523
Change in value of beneficial interest in trust	-	219,357	219,357
Miscellaneous	282,755	-	282,755
Total Revenue	<u>117,721,024</u>	<u>219,357</u>	<u>117,940,381</u>
Net Assets Released from Restrictions	<u>1,201,810</u>	<u>(1,201,810)</u>	<u>-</u>
Total Public Support and Revenue	<u>192,615,047</u>	<u>299,704</u>	<u>192,914,751</u>
Expenses			
Program Services			
Stores and salvage	136,714,638	-	136,714,638
Contract services	6,404,534	-	6,404,534
Employment and training	29,010,918	-	29,010,918
Sheltered workshop	992,614	-	992,614
Other services	796,586	-	796,586
Total Program Services	<u>173,919,290</u>	<u>-</u>	<u>173,919,290</u>
Supporting Services			
Management and general	7,204,048	-	7,204,048
Fundraising	2,458,309	-	2,458,309
Total Supporting Services	<u>9,662,357</u>	<u>-</u>	<u>9,662,357</u>
Total Expenses	<u>183,581,647</u>	<u>-</u>	<u>183,581,647</u>
Change in Net Assets Before Gain on Sale/Merger	9,033,400	299,704	9,333,104
Gain on Sale - Building	4,111,261	-	4,111,261
Excess Assets/Liabilities - Merger	186,847	-	186,847
Change in Net Assets	<u>13,331,508</u>	<u>299,704</u>	<u>13,631,212</u>
Net Assets, Beginning of Year	<u>73,604,368</u>	<u>1,846,552</u>	<u>75,450,920</u>
Net Assets, End of Year	<u>\$ 86,935,876</u>	<u>\$ 2,146,256</u>	<u>\$ 89,082,132</u>

MERS/MISSOURI GOODWILL INDUSTRIES AND AFFILIATES

**COMBINED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2018		
	Without Donor Restrictions	With Donor Restriction	Total
Public Support			
Contributions of inventory	\$ 66,094,011	\$ -	\$ 66,094,011
Associated organizations	-	703,429	703,429
Other contributions	1,278,614	1,201,354	2,479,968
Total Public Support	<u>67,372,625</u>	<u>1,904,783</u>	<u>69,277,408</u>
Revenue			
Stores and salvage sales	72,351,513	-	72,351,513
Contract services	6,822,012	-	6,822,012
Employment and training	23,380,667	-	23,380,667
Sheltered workshop	1,086,954	-	1,086,954
Other program services	1,137,667	-	1,137,667
Investment loss, net of fees	(693,354)	-	(693,354)
Change in value of beneficial interest in trust	-	(176,985)	(176,985)
Miscellaneous	91,266	-	91,266
Total Revenue	<u>104,176,725</u>	<u>(176,985)</u>	<u>103,999,740</u>
Net Assets Released from Restrictions	<u>2,001,328</u>	<u>(2,001,328)</u>	<u>-</u>
Total Public Support and Revenue	<u>173,550,678</u>	<u>(273,530)</u>	<u>173,277,148</u>
Expenses			
Program Services			
Stores and salvage	129,293,419	-	129,293,419
Contract services	6,229,567	-	6,229,567
Employment and training	25,064,749	-	25,064,749
Sheltered workshop	1,117,775	-	1,117,775
Other services	1,419,197	-	1,419,197
Total Program Services	<u>163,124,707</u>	<u>-</u>	<u>163,124,707</u>
Supporting Services			
Management and general	6,037,653	-	6,037,653
Fundraising	2,482,424	-	2,482,424
Total Supporting Services	<u>8,520,077</u>	<u>-</u>	<u>8,520,077</u>
Total Expenses	<u>171,644,784</u>	<u>-</u>	<u>171,644,784</u>
Change in Net Assets	1,905,894	(273,530)	1,632,364
Net Assets, Beginning of Year	<u>71,698,474</u>	<u>2,120,082</u>	<u>73,818,556</u>
Net Assets, End of Year	<u>\$ 73,604,368</u>	<u>\$ 1,846,552</u>	<u>\$ 75,450,920</u>

The Notes to Combined Financial Statements are an integral part of these statements

MERS/MISSOURI GOODWILL INDUSTRIES AND AFFILIATES**COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Program Services			
	Stores and Salvage	Contract Services	Employment and Training	Sheltered Workshop
Salaries and wages	\$ 32,015,064	\$ 4,265,529	\$ 17,062,110	\$ 633,600
Employee welfare	7,220,832	244,240	2,948,707	7,789
Payroll taxes and benefits	3,435,480	375,060	1,512,794	58,359
Total Salaries and Related Expenses	<u>42,671,376</u>	<u>4,884,829</u>	<u>21,523,611</u>	<u>699,748</u>
Cost of donated goods sold	72,241,300	-	-	-
Professional fees and contracts	1,565,293	612,525	700,169	31,392
Supplies	3,154,713	492,095	550,852	18,901
Telephone	562,567	41,501	443,180	8,845
Postage and shipping	520,090	-	29,544	110
Occupancy	7,623,510	25,786	1,198,760	179,926
Rental and maintenance of equipment	2,413,450	34,842	174,537	13,301
Local transportation	748,909	96,959	657,543	5,669
Printing and publications	53,398	-	20,878	-
Dues to Goodwill Industries International	-	-	-	-
Insurance	531,431	67,746	323,966	11,035
Interest and bank fees	1,563,946	1,827	130,361	914
Client services	19,742	-	1,204,608	21
Miscellaneous expense	56,516	98,267	630,696	4,471
Bad debt expense (recovery)	(888)	23,655	(14,825)	75
Depreciation	2,989,285	24,502	623,174	18,206
Total Expenses	<u>136,714,638</u>	<u>6,404,534</u>	<u>28,197,054</u>	<u>992,614</u>
Indirect cost allocation	-	-	813,864	-
Total Expenses Including Indirect Cost Allocation	<u>\$ 136,714,638</u>	<u>\$ 6,404,534</u>	<u>\$ 29,010,918</u>	<u>\$ 992,614</u>

		<u>Supporting Services</u>					
		<u>Management and General</u>		<u>Fundraising</u>			
<u>Other Services</u>	<u>Total</u>	<u>General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>		
\$ 462,715	\$ 54,439,018	\$ 3,385,204	\$ 356,118	\$ 3,741,322	\$ 58,180,340		
70,665	10,492,233	548,317	58,197	606,514	11,098,747		
40,274	5,421,967	272,901	28,964	301,865	5,723,832		
<u>573,654</u>	<u>70,353,218</u>	<u>4,206,422</u>	<u>443,279</u>	<u>4,649,701</u>	<u>75,002,919</u>		
-	72,241,300	-	-	-	72,241,300		
8,313	2,917,692	1,456,665	117,451	1,574,116	4,491,808		
180,197	4,396,758	280,733	6,203	286,936	4,683,694		
5,116	1,061,209	73,819	2,064	75,883	1,137,092		
622	550,366	30,617	1,461	32,078	582,444		
-	9,027,982	266,074	-	266,074	9,294,056		
6,964	2,643,094	306,078	-	306,078	2,949,172		
1,959	1,511,039	114,916	2,193	117,109	1,628,148		
-	74,276	10,000	1,882,383	1,892,383	1,966,659		
-	-	175,212	-	175,212	175,212		
-	934,178	143,155	1,206	144,361	1,078,539		
2,528	1,699,576	247,178	-	247,178	1,946,754		
3,973	1,228,344	-	-	-	1,228,344		
(3,791)	786,159	94,706	2,069	96,775	882,934		
-	8,017	-	-	-	8,017		
<u>17,051</u>	<u>3,672,218</u>	<u>612,337</u>	<u>-</u>	<u>612,337</u>	<u>4,284,555</u>		
<u>796,586</u>	<u>173,105,426</u>	<u>8,017,912</u>	<u>2,458,309</u>	<u>10,476,221</u>	<u>183,581,647</u>		
<u>-</u>	<u>813,864</u>	<u>(813,864)</u>	<u>-</u>	<u>(813,864)</u>	<u>-</u>		
<u>\$ 796,586</u>	<u>\$ 173,919,290</u>	<u>\$ 7,204,048</u>	<u>\$ 2,458,309</u>	<u>\$ 9,662,357</u>	<u>\$ 183,581,647</u>		

The Notes to Combined Financial Statements are an integral part of these statements.

MERS/MISSOURI GOODWILL INDUSTRIES AND AFFILIATES**COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Program Services			
	Stores and Salvage	Contract Services	Employment and Training	Sheltered Workshop
Salaries and wages	\$ 31,642,162	\$ 4,193,065	\$ 14,604,996	\$ 631,570
Employee welfare	5,512,234	188,858	2,398,064	69,399
Payroll taxes and benefits	3,455,023	423,601	1,528,091	236,292
Total Salaries and Related Expenses	<u>40,609,419</u>	<u>4,805,524</u>	<u>18,531,151</u>	<u>937,261</u>
Cost of donated goods sold	65,976,366	-	-	-
Professional fees and contracts	1,572,603	558,524	745,829	32,630
Supplies	4,529,445	513,538	549,227	18,638
Telephone	566,088	49,016	411,290	2,926
Postage and shipping	639,729	2	27,863	125
Occupancy	7,634,964	22,190	1,021,832	96,884
Rental and maintenance of equipment	1,858,350	22,964	76,878	1,525
Local transportation	718,650	78,667	727,524	7,436
Printing and publications	34,857	-	56,763	186
Dues to Goodwill Industries International	-	-	-	-
Insurance	512,898	64,810	276,110	10,482
Interest and bank fees	1,576,702	1,621	1,692	817
Client services	13,649	-	953,690	33
Miscellaneous expense	95,623	83,817	675,990	3,568
Bad debt expense (recovery)	32,013	11,749	33,008	(22,010)
Depreciation	2,922,063	17,145	183,482	27,274
Total Expenses	<u>129,293,419</u>	<u>6,229,567</u>	<u>24,272,329</u>	<u>1,117,775</u>
Indirect cost allocation	-	-	792,420	-
Total Expenses Including Indirect Cost Allocation	<u>\$ 129,293,419</u>	<u>\$ 6,229,567</u>	<u>\$ 25,064,749</u>	<u>\$ 1,117,775</u>

Other Services	Total	Supporting Services			Total
		Management and General	Fundraising	Total	
\$ 789,995	\$ 51,861,788	\$ 2,848,353	\$ 358,867	\$ 3,207,220	\$ 55,069,008
113,523	8,282,078	316,654	45,722	362,376	8,644,454
177,633	5,820,640	216,318	29,138	245,456	6,066,096
<u>1,081,151</u>	<u>65,964,506</u>	<u>3,381,325</u>	<u>433,727</u>	<u>3,815,052</u>	<u>69,779,558</u>
-	65,976,366	-	-	-	65,976,366
73,943	2,983,529	1,488,934	74,113	1,563,047	4,546,576
190,742	5,801,590	199,697	5,939	205,636	6,007,226
11,599	1,040,919	103,911	2,018	105,929	1,146,848
105	667,824	26,778	1,566	28,344	696,168
-	8,775,870	405,468	-	405,468	9,181,338
13,645	1,973,362	203,655	-	203,655	2,177,017
7,237	1,539,514	89,850	1,852	91,702	1,631,216
35	91,841	532	1,950,171	1,950,703	2,042,544
-	-	169,368	-	169,368	169,368
-	864,300	130,803	1,199	132,002	996,302
1,796	1,582,628	175,536	-	175,536	1,758,164
6,694	974,066	-	-	-	974,066
(1,084)	857,914	160,240	11,839	172,079	1,029,993
460	55,220	-	-	-	55,220
32,874	3,182,838	293,976	-	293,976	3,476,814
<u>1,419,197</u>	<u>162,332,287</u>	<u>6,830,073</u>	<u>2,482,424</u>	<u>9,312,497</u>	<u>171,644,784</u>
<u>-</u>	<u>792,420</u>	<u>(792,420)</u>	<u>-</u>	<u>(792,420)</u>	<u>-</u>
<u>\$ 1,419,197</u>	<u>\$ 163,124,707</u>	<u>\$ 6,037,653</u>	<u>\$ 2,482,424</u>	<u>\$ 8,520,077</u>	<u>\$ 171,644,784</u>

The Notes to Combined Financial Statements are an integral part of these statements.

MERS/MISSOURI GOODWILL INDUSTRIES AND AFFILIATES

**COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 13,631,212	\$ 1,632,364
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	4,284,555	3,476,814
Bad debt (recoveries) provision	(27,551)	(198,017)
Gain on disposal of property and equipment	(4,111,261)	(33,362)
(Gain) Loss on investments	(3,144,618)	1,235,443
Excess assets over liabilities in merger	(186,847)	-
Change in value of beneficial interest in trusts	(219,358)	176,985
Changes in assets - (increase) decrease		
Accounts receivable	(4,494,721)	(828,463)
Promises to give	28,593	15,369
Inventories	(207,111)	98,639
Prepaid expenses	(88,845)	461,123
Other assets	65,814	9,311
Changes in liabilities - increase (decrease)		
Bank Overdraft	(796,475)	796,475
Accounts payable and accrued expenses	85,928	1,458,587
Deferred revenue	(19,935)	(45,095)
Net Cash Provided by Operating Activities	<u>4,799,380</u>	<u>8,256,173</u>
Cash Flows from Investing Activities		
Net proceeds from sale of property and equipment	5,600,000	33,362
Purchases of investments	(8,186,023)	(3,802,306)
Proceeds from sales of investments	7,301,738	4,235,533
Payments for property and equipment and construction in progress	(7,073,076)	(18,841,518)
Net Cash Used in Investing Activities	<u>(2,357,361)</u>	<u>(18,374,929)</u>
Cash Flows from Financing Activities		
Proceeds from line of credit	4,000,000	6,778,665
Payments on long term debt	(242,380)	(233,022)
Payments on line of credit	(5,000,000)	-
Net Cash Provided by (Used in) Financing Activities	<u>(1,242,380)</u>	<u>6,545,643</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,199,639	(3,573,113)
Cash and Cash Equivalents, Beginning of Year	<u>1,494,599</u>	<u>5,067,712</u>
Cash and Cash Equivalents, End of Year	\$ <u>2,694,238</u>	\$ <u>1,494,599</u>
Supplemental Disclosure of Cash Flow Information		
Interest Paid	\$ <u>885,139</u>	\$ <u>627,486</u>

The Notes to Combined Financial Statements are an integral part of these statements.

MERS/MISSOURI GOODWILL INDUSTRIES AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF ORGANIZATION

Nature of Organization

MERS/Missouri Goodwill Industries and Affiliates (the "Agency") is a not-for-profit corporation that provides for the vocational needs of people with disabilities and disadvantages. The Agency believes that work not only helps achieve financial stability but also helps with autonomy, self-reliance, and confidence of the clients served. The Agency has become a significant provider of vocational rehabilitation services in Missouri. On January 1, 2019, the Agency merged with an organization that expanded services into Columbia and Jefferson City, Missouri. The merger resulted in a gain of approximately \$186,000 which was assets in excess of liabilities assumed by the Agency.

MGI Services Corporation ("MGIS") is a not-for-profit corporation established for the purpose of accounting for the AbilityOne contract services. MERS/Missouri Goodwill Industries and MGIS have commonality through board members. Certain administrative expenses are allocated to MGIS.

Services for Extended Employment and Development, Inc. ("SEED") is a not-for-profit corporation established for the purpose of accounting for the Agency's vocational training for disabled individuals. MERS/Missouri Goodwill Industries and SEED have commonality through board members. Certain administrative expenses are allocated to SEED.

The Agency's primary sources of revenue are store and salvage sales, contract services, contributions and government grants for employment, training, and sheltered workshops.

Principles of Combination

The accompanying combined financial statements include the following affiliated non-profit organizations: MERS/Missouri Goodwill Industries ("M/MGI"), MGI Services Corporation ("MGIS"), and Services for Extended Employment and Development, Inc. ("SEED"). All significant inter-entity transactions and account balances have been eliminated. The designation, "Agency", includes both affiliated organizations combined.

Basis of Accounting

The combined financial statements of the Agency have been prepared on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates also affect reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Agency considers all temporary investments having maturities of three months or less to be cash and cash equivalents.

MERS/MISSOURI GOODWILL INDUSTRIES AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF ORGANIZATION
(CONTINUED)**

Accounts Receivable

Accounts receivable is stated at the amount management expects to collect from outstanding balances. These balances consist primarily of billings for grants, contract revenues and employment and training revenues.

The carrying amount of accounts receivable is reduced by an allowance for uncollectible accounts based on estimated losses that will be incurred in collection of all receivables. Management provides for probable uncollected amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management believes this method provides a proper recognition of bad debt expense in the period incurred. The allowance for potentially uncollectible accounts is \$55,322 and \$82,873 as of December 31, 2019 and 2018, respectively.

Promises to Give

Contributions related to promises to give are recognized when the donor makes an unconditional promise to give, and for conditional promises to give, only when the conditions on which they depend are substantially met and the promise becomes unconditional. These contributions are recorded as net assets with or without donor restriction depending on the existence or nature of any donor restrictions. Promises to give that are expected to be collected within one year are recorded at net realizable value. Promises to give that are expected to be collected in future years are measured at fair value using the present value of their estimated future cash flows.

Inventories

The Agency obtains most of its inventory from public donations and sells the donated merchandise in its retail sales activities. Donated inventory is valued at an estimated fair value at the retail store level less gross profit based on estimates of inventory turnover at the retail stores. The Agency at times purchases certain new items from commercial retailers at discounted retail value and records the purchased merchandise in inventory at cost.

Investments

The Agency's investments are stated at fair value except for the Agency's investment in a limited partnership, which is accounted for under the equity method. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 6 for discussion of fair value measurements.

Interest, dividend, capital gain and royalty income is recorded on the accrual basis. Purchases and sales of securities are recorded on a trade-date basis. Realized gains and losses on disposals of investments are based on the historic cost of the securities sold using the specific identification method. Unrealized gains and losses on investment securities are based on the difference between the historic cost and the fair value on the measurement date of each investment. Net appreciation (depreciation) includes gains and losses on investments bought and sold as well as held by the Agency during the year. Net investment return/(loss) is reported on the combined statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external investment fees.

MERS/MISSOURI GOODWILL INDUSTRIES AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF ORGANIZATION
(CONTINUED)**

Beneficial Interest in Trusts

The Agency has been named as an irrevocable beneficiary of perpetual trusts held and administered by independent trustees. Perpetual trusts provide for the distribution of the net income of the trusts to the Agency; however, the Agency will never receive the assets of the trusts. At the date management received notice of a beneficial interest, a contribution with donor restrictions of a perpetual nature is recorded in the combined statements of activities, and a beneficial interest in perpetual trust is recorded in the combined statements of financial position at the fair value of the underlying trust assets. Thereafter, beneficial interests in the trusts are reported at the fair value of the trusts' assets in the combined statements of financial position, with trust distributions and changes in fair value recognized in the combined statements of activities.

Property and Equipment

The Agency capitalizes property and equipment additions over \$5,000 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 40 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the combined statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Management reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended December 31, 2019.

Revenue and Revenue Recognition

Revenue for retail operations is recognized at a point in time as the customer receives the merchandise.

Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Revenue for contract services is recognized when the satisfaction of the contractual performance obligation is met. The performance obligation is met upon completion of the service.

Donated Inventory, Materials and Services

Donated inventory and materials are recorded as contributions at estimated fair value based on the estimated sale price of the items donated. Donated services are considered insignificant during the years ended December 31, 2019 and 2018.

MERS/MISSOURI GOODWILL INDUSTRIES AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF ORGANIZATION
(CONTINUED)**

Net Assets

Net assets, revenues, gains, and 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 discretionary control over these resources. There is a designated amount that represents investment in property and equipment, net of related debt.

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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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.

Description of Program and Supporting Services

The following program and supporting services are included in the accompanying combined financial statements:

Program Services

Stores and salvage sales

Mission related activities associated with the collecting, pricing and selling of merchandise through the retail stores.

Contract services

Mission related services contracted with other organizations, including janitorial services.

Employment and training

Identifies employment and training goals and the potential of clients as well as providing counseling, training and job placement services necessary to obtain employment.

Sheltered workshop

Provides paid work within a facility setting for clients who have been determined unable to work competitively in the community.

Other services

Includes residential services, transportation services for clients involved in programs, and training and support for clients living independently in the community.

Supporting Services

Management and general

Includes the functions necessary to maintain an equitable employment program, ensure an adequate working environment, provide coordination and articulation of the Agency's program strategy, secure proper administrative functioning of the Board of Directors, and manage the financial and budgetary responsibilities of the Agency.

MERS/MISSOURI GOODWILL INDUSTRIES AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF ORGANIZATION
(CONTINUED)**

Description of Program and Supporting Services (Continued)

Supporting Services (Continued)

Fundraising

Provides the structure necessary to encourage and secure financial support for the Agency through grants and contributions.

Expense Allocation

Expenses are charged to programs and supporting services on the basis of actual costs incurred by the specific program or supporting service, as well as on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Agency.

Printing and Publications

Printing and Publication costs are expensed as incurred. Printing and publication expense amounted to \$1,966,659 and \$2,042,544 for the years ended December 31, 2019 and 2018, respectively.

Tax Status

The Agency constitutes a qualified not-for-profit organization under Section 509(a) of the Internal Revenue Code and is, therefore, exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Income Tax Uncertainties

The Agency follows "FASB Accounting Standards Codification 740-10, *Income Taxes – Overall*". The Agency has assessed its federal and state tax positions and determined that there were no uncertainties or possible related effects that need to be recorded as of or for the years ended December 31, 2019 and 2018.

Accounting Standards Update

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The ASU clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain exchange transactions. This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. The change in accounting principle was adopted under the modified prospective in 2019. No restatement of prior amounts recognized in the 2019 financial statements.

MERS/MISSOURI GOODWILL INDUSTRIES AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF ORGANIZATION
(CONTINUED)**

Accounting Standards Update (Continued)

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). This guidance outlines a single, comprehensive model for accounting for revenue from contracts with customers. The Agency adopted the standard on January 1, 2019. The contract services revenue is generated substantially from providing various services under several contracts with other entities. Those services predominantly contain a single delivery element and revenue is recognized at a single point in time when the performance obligation is met. The timing of revenue recognition was not affected by the new standard.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying combined financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent Events

Subsequent events have been evaluated by management through March 18, 2020, the date the combined financial statements were available to be issued.

NOTE 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 combined statement of financial position date, comprise the following:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 2,584,204	\$ 1,494,599
Accounts receivable	10,659,266	6,136,994
Promises to give	578,839	607,432
Investments, at fair value	20,512,007	16,463,819
Distributions from beneficial interest in trusts held by others	61,500	81,000
Less net assets with donor restrictions	<u>(688,872)</u>	<u>(608,526)</u>
	<u>\$ 33,706,744</u>	<u>\$ 24,175,318</u>

MERS/MISSOURI GOODWILL INDUSTRIES AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable consists of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Grants	\$ 3,191,427	\$ 2,955,189
Excel High Schools	4,165,050	1,073,738
Contract revenues	1,524,700	1,313,266
Employment and training revenues	500,927	441,072
Other	1,332,484	436,602
Accounts receivable, gross	10,714,588	6,219,867
Less allowance for uncollectible accounts	(55,322)	(82,873)
Accounts receivable, net	<u>\$ 10,659,266</u>	<u>\$ 6,136,994</u>

At December 31, 2019 and 2018, respectively, 58% and 51% of accounts receivable were from two Organizations.

NOTE 4 PROMISES TO GIVE

Promises to give include contributions from organizations of \$578,839 and \$607,432 at December 31, 2019 and 2018, respectively. Management expects to receive the cash for these promises within one year.

NOTE 5 INVESTMENTS

Investments consist of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Common stocks	\$ 9,861,648	\$ 6,601,111
Mutual funds	-	217,300
Exchange traded funds	1,981,871	1,725,760
Corporate fixed income	4,306,799	3,896,827
Hedge funds	3,339,746	3,109,802
Private equity	1,021,943	913,019
Mineral leases	68,443	87,728
Total	<u>\$ 20,580,450</u>	<u>\$ 16,551,547</u>

Investments are as follows on the accompanying combined statements of financial position as of December 31:

	<u>2019</u>	<u>2018</u>
Investments, current	\$ 20,512,007	\$ 16,463,819
Investment, long term	68,443	87,728
Total	<u>\$ 20,580,450</u>	<u>\$ 16,551,547</u>

MERS/MISSOURI GOODWILL INDUSTRIES AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 FAIR VALUE

FASB ASC 820, *Fair Value Measurements and Disclosures*, provides the 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 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Agency has the ability to access.
Level 2	Inputs to the valuation methodology include: Quoted prices for similar assets or liabilities in active markets; Quoted prices for identical or similar assets or liabilities in inactive markets; Inputs other than quoted prices that are observable for the asset or liability; Inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis. There have been no changes in the methodologies used at December 31, 2019 as compared to December 31, 2018.

Common Stocks, Mutual Funds and Exchange Traded Funds: The fair value of marketable securities and exchange traded funds are valued using quoted market prices in active markets.

Corporate fixed income: Certain corporate fixed income securities (bonds) are valued at the closing price reported in the active market in which the bond is traded. Other corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.

Managed Futures and Hedge Funds: Valued at the net asset value ("NAV") of the units held by the Agency at year end. The NAV is used as a practical expedient to estimate fair value. This practical expedient would not be used if it is determined to be probable that the fund will sell the investment for an amount different from the reported NAV.

Private Equity: In the absence of quoted market prices, fair value is determined by the General Partner based on valuations of the underlying illiquid and privately held investments.

Investment in Mineral Leases: For producing interests, fair value for December 31, 2019 and 2018 were determined using production revenue times a factor of 4, respectively. For nonproducing interests, the value was determined by determining net acreage owned in a tract and multiplying net acreage by the most common bonus consideration that would be expected to be received. Properties that have been leased and are still in their primary terms are valued at 1-time leased bonus received.

MERS/MISSOURI GOODWILL INDUSTRIES AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 FAIR VALUE (CONTINUED)

Beneficial Interest in Trusts: Perpetual trusts are valued based on the fair value of the trust assets multiplied by the Agency's proportionate share of the trust.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Agency 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.

The following tables set forth by level, within the fair value hierarchy, the Agency's assets at fair value as of December 31, 2019 and 2018:

2019	Total	Level 1	Level 2	Level 3
Common stocks	\$ 9,861,648	\$ 9,861,648	\$ -	\$ -
Exchange traded funds	1,981,871	-	1,981,871	-
Corporate fixed income	4,306,799	-	4,306,799	-
Hedge funds (a)	3,339,746	-	-	-
Private equity	1,021,943	-	-	1,021,943
Mineral leases	68,443	-	-	68,443
Beneficial interest in trusts	1,457,384	-	-	1,457,384
Total	\$ 22,037,834	\$ 9,861,648	\$ 6,288,670	\$ 2,547,760
2018	Total	Level 1	Level 2	Level 3
Common stocks	\$ 6,601,111	\$ 6,601,111	\$ -	\$ -
Mutual funds	217,300	217,300	-	-
Exchange traded funds	1,725,760	-	1,725,760	-
Corporate fixed income	3,896,827	-	3,896,827	-
Hedge funds (a)	3,109,802	-	-	-
Private equity	913,019	-	-	913,019
Mineral leases	87,728	-	-	87,728
Beneficial interest in trusts	1,238,026	-	-	1,238,026
Total	\$ 17,789,573	\$ 6,818,411	\$ 5,622,587	\$ 2,238,773

(a) In accordance with ASC 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items as presented in the combined statement of financial position.

MERS/MISSOURI GOODWILL INDUSTRIES AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 FAIR VALUE (CONTINUED)

For the years ended December 31, 2019 and 2018, the changes in assets measured using significant unobservable inputs (Level 3) were as follows:

	Level 3 Assets		
	Year Ended		
	December 31, 2019		
	<u>Private</u>	<u>Mineral</u>	<u>Beneficial</u>
	<u>Equity</u>	<u>Leases</u>	<u>Interest In</u>
			<u>Trusts</u>
Balance, beginning of year	\$ 913,019	\$ 87,728	\$ 1,238,026
Purchases	114,150	-	-
Unrealized gains (losses) relating to instruments still held at the reporting date	<u>(5,226)</u>	<u>(19,285)</u>	<u>219,358</u>
Balance, end of year	<u>\$ 1,021,943</u>	<u>\$ 68,443</u>	<u>\$ 1,457,384</u>

	Level 3 Assets		
	Year Ended		
	December 31, 2018		
	<u>Private</u>	<u>Mineral</u>	<u>Beneficial</u>
	<u>Equity</u>	<u>Leases</u>	<u>Interest in</u>
			<u>Trusts</u>
Balance, beginning of year	\$ 665,621	\$ 81,700	\$ 1,415,011
Purchases	210,000	-	-
Unrealized gains (losses) relating to instruments still held at the reporting date	<u>37,398</u>	<u>6,028</u>	<u>(176,985)</u>
Balance, end of year	<u>\$ 913,019</u>	<u>\$ 87,728</u>	<u>\$ 1,238,026</u>

The following table summarized investments for which fair value is measured using the net asset value per share practical expedient as of December 31, 2019 and 2018, respectively.

	Fair Value				
Investment Name	2019	2018	Redemption Frequency	Redemption Notice Period	Unfunded Commitments
Hedge funds	\$3,339,746	\$3,109,802	Quarterly	45-60 days	None

MERS/MISSOURI GOODWILL INDUSTRIES AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 FAIR VALUE (CONTINUED)

Hedge Funds

The Agency invests in hedge funds that serve as core hedge fund holdings with the goal of providing additional diversification to an overall investment portfolio. The investment objective is to seek capital appreciation. In doing so, the fund seeks to realize attractive risk-adjusted returns, net of fees and expenses, over a three to five-year investment horizon.

NOTE 7 PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2019</u>	<u>2018</u>
Land and land improvements	\$ 17,599,419	\$ 17,315,728
Building and building improvements	57,144,764	69,577,779
Leasehold improvements	5,458,465	6,530,663
Equipment, furniture, and fixtures	11,288,102	16,757,721
Vehicles	2,074,068	4,286,764
	<u>93,564,818</u>	114,468,655
Less: Accumulated depreciation	<u>(15,603,899)</u>	<u>(36,445,973)</u>
	77,960,919	78,022,682
Plus: Construction in progress	1,781,460	233,067
	<u>\$ 79,742,379</u>	<u>\$ 78,255,749</u>

NOTE 8 LONG-TERM DEBT

At December 31, 2019 and 2018, long-term debt was as follows:

	<u>2019</u>	<u>2018</u>
3.89% note payable to bank, due in monthly installments of \$18,844, including interest, with a balloon payment due 3/31/24 secured by real property.	\$ 3,802,310	\$ 3,876,888
3.89% note payable to bank, due in monthly installments of \$15,075, including interest, with a balloon payment due 3/31/24 secured by real property	3,041,848	3,101,511
3.89% note payable to bank, due in monthly installments of \$14,133, including interest, with a balloon payment due 3/31/24 secured by real property. of \$13,191, including interest, with a balloon payment	2,851,732	2,907,666
3.89% note payable to bank, due in monthly installments due of \$13,191, including interest, with a balloon payment 3/31/24 secured by real property.	<u>2,661,617</u>	<u>2,713,822</u>
	12,357,507	12,599,887
Less Current Maturities of Long-Term Debt	<u>(250,674)</u>	<u>(242,320)</u>
Long-Term Debt	<u>\$ 12,106,833</u>	<u>\$ 12,357,567</u>

MERS/MISSOURI GOODWILL INDUSTRIES AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

NOTE 8 LONG-TERM DEBT (CONTINUED)

Maturities of long-term debt are as follows:

2020	\$ 250,674
2021	262,119
2022	272,646
2023	283,595
Thereafter	<u>11,288,473</u>
	<u>\$12,357,507</u>

NOTE 10 NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2019</u>	<u>2018</u>
Subject to the passage of time:		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until paid	<u>\$ 688,872</u>	<u>\$ 608,526</u>
	688,872	608,526
Beneficial interest in trust in perpetuity	<u>1,457,384</u>	<u>1,238,026</u>
	<u>\$ 2,146,256</u>	<u>\$ 1,846,552</u>

Net assets were released from donor restrictions by expiration of time restrictions totaled \$1,201,810 and \$2,001,328 for the years ended December 31, 2019 and 2018, respectively.

NOTE 11 DEFERRED COMPENSATION PLANS

The Agency adopted a defined contribution deferred compensation plan for certain key members of management who were actively employed with the Organization at January 1, 1996. Certain insurance policies were cancelled, and the cash surrender values were transferred into the new plan. Vesting occurs on a graduated scale based on the years of service. The total asset value of \$0 and \$65,815 is presented on the combined statements of financial position as other assets while the vested amount of \$0 and \$65,815 is included in accrued expenses as of December 31, 2019 and 2018, respectively.

The Agency has also adopted a tax-deferred annuity plan under Section 403(b) which allows eligible employees to make tax-deferred contributions. Eligible employees may contribute a percentage of their salaries up to the extent permitted by law. In October 2018, the Agency amended the 403(b) plan to include an employer match. The Agency will match ½ up to a maximum employee contribution of 6%. The assets of this qualified Plan are held in trust and are appropriately not included in the combined financial statements. The Agency's associated expense amounted to \$253,435 for the year ended December 31, 2019.

MERS/MISSOURI GOODWILL INDUSTRIES AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

NOTE 11 DEFERRED COMPENSATION PLANS (CONTINUED)

The Agency also sponsors a qualified defined contribution plan under Section 401(a) of the Internal Revenue Code whereby the Agency makes contributions on behalf of eligible employees. Under this plan, employees are not allowed to make tax-deferred contributions. The Agency's associated expense amounted to \$742,109 and \$606,276 for the years ended December 31, 2019 and 2018, respectively. The assets of this qualified Plan are held in trust and are appropriately not included in the combined financial statements.

NOTE 12 LEASE COMMITMENTS

The Agency leases most of the buildings used for its retail stores and certain operating facilities and equipment under various renewable and non-renewable operating lease agreements, whose terms range from one to twenty years.

At December 31, 2019, minimum annual rental commitments are as follows:

2020	\$ 4,038,367
2021	3,289,412
2022	2,953,112
2023	2,450,187
2024	1,836,452
Thereafter	<u>3,906,565</u>
	<u>\$ 18,474,095</u>

Facility rent expense amounted to \$5,102,293 and \$4,913,474 as of December 31, 2019 and 2018, respectively. The rent expense as of December 31, 2019 includes in-kind rent of \$139,707 related to a lease agreement on the Forest Park building for \$1 per month until March 2020 as part of the sale on the building.

NOTE 13 COMMITMENTS AND CONTINGENCIES

During the years ended December 31, 2019 and 2018, the Agency maintained a revolving loan agreement with its bank. The maximum credit limit through December 19, 2019, and December 21, 2018 was \$15,000,000, respectively. Interest is payable monthly at the bank's LIBOR daily floating rate plus one percent (1%). The revolving loan was renewed with a December 18, 2020 maturity date. Interest is payable monthly at the bank's LIBOR daily floating rate plus (1%). At December 31, 2019 and 2018, the Agency has an outstanding balance on this line-of-credit of \$8,778,665 and \$9,778,665, respectively.

Grants, bequests and endowments require the fulfillment of certain conditions as set forth in each instrument. Failure to fulfill the conditions could result in the return of the funds, or a portion thereof, to the grantors. Although that is a possibility, the Board believes the contingency is remote, since by accepting the grants and their terms, the Board has accommodated the objectives of the Agency to the provisions of these grants.

MERS/MISSOURI GOODWILL INDUSTRIES AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

NOTE 13 COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Agency maintains a self-insurance program for its employees' health care costs. The Agency is liable for losses on claims up to \$175,000 and \$150,000 per employee for the years ended December 31, 2019 and 2018, respectively. The aggregate potential liability for the Agency is \$12,886,000 and \$13,596,020 for the years ended December 31, 2019 and 2018. The Agency has insurance coverage for any losses in excess of such limits. Self-insurance costs are accrued based on claims reported as of December 31, 2019 and 2018, as well as an estimated liability for claims incurred but not reported. The total accrued liability for self-insurance costs was \$1,112,840 and \$1,023,037 at December 31, 2019 and 2018, respectively.

The Agency is routinely involved in certain litigation and EEOC claims incidental to its business. The ultimate outcome of all claims pending at December 31, 2019, cannot presently be determined. However, management believes the ultimate outcome will not have a material, adverse effect on the Agency's financial position or results of operations.

The Agency maintains cash balances at various banks. These banks provide the maximum protection under regulations issued by the Federal Deposit Insurance Corporation ("FDIC"). The Agency periodically maintains funds in excess of FDIC insurance limits.

The Agency 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 such changes could materially affect the amounts reported in the financial statements.

NOTE 14 AFFILIATION WITH GOODWILL INDUSTRIES INTERNATIONAL

The Agency is affiliated with Goodwill Industries International. The Agency paid dues to Goodwill Industries International amounting to \$175,212 and \$169,368 the years ended December 31, 2019 and 2018, respectively.

NOTE 15 FUNCTIONAL EXPENSES

The combined financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis. Central administration costs are considered management and general and not allocated to different programs.

NOTE 16 REVENUE

Contract fees are billed for services performed in the previous month, in accordance with agreed-upon contractual terms, either at periodic intervals (e.g., monthly) or upon achievement of contractual milestones. The Agency recognizes revenues for these arrangements evenly over time, which is the contract service period. There are no significant financing components recognized by the Agency.

Retail store sales revenue requires the customer to pay when the goods are purchased at the various locations. The Agency recognizes revenues for these arrangements at the point in time that the sale is made. There are no significant financing components recognized by the Agency.

MERS/MISSOURI GOODWILL INDUSTRIES AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

NOTE 16 REVENUE (CONTINUED)

Amounts invoiced and collected in excess of revenues recognized are contract liabilities, which are presented as deferred revenues in the Statements of Financial Position. As of December 31, 2019 and 2018, there are no amounts invoiced and collected in excess of revenue for contract services or retail store revenue that would be considered deferred revenue.

Disaggregation of Revenue

The following tables presents revenue disaggregated by revenue source and pattern of revenue recognition:

	Year Ended December 31, 2019			
	<u>Over Period of Time</u>	<u>Point In Time</u>	<u>Grants under 2018-08</u>	<u>Total Revenues</u>
Stores and salvage sales	\$ -	\$ 74,418,216	\$ -	\$ 74,418,216
Contract services	7,383,604	-	-	7,383,604
Sheltered Workshop	<u>606,090</u>	<u>-</u>	<u>458,911</u>	<u>1,065,001</u>
Total Revenues	<u>\$ 7,989,694</u>	<u>\$ 74,418,216</u>	<u>\$ 458,911</u>	<u>\$ 82,866,821</u>

	Year Ended December 31, 2018			
	<u>Over Period of Time</u>	<u>Point In Time</u>	<u>Grants under 2018-08</u>	<u>Total Revenues</u>
Stores and salvage sales	\$ -	\$ 72,351,513	\$ -	\$ 72,351,513
Contract services	6,822,012	-	-	6,822,012
Sheltered Workshop	<u>620,433</u>	<u>-</u>	<u>466,521</u>	<u>1,086,954</u>
Total Revenues	<u>\$ 7,442,445</u>	<u>\$ 72,351,513</u>	<u>\$ 466,521</u>	<u>\$ 80,260,479</u>