



**MERS/MISSOURI GOODWILL INDUSTRIES AND
AFFILIATES**

COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

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Independent Auditor's Report

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

Report on the Audit of the Combined Financial Statements

Opinion

We have audited the combined financial statements of MERS/Missouri Goodwill Industries and Affiliates (“Agency”), which comprise the combined statement of financial position as of December 31, 2021, and the related combined statements of activities, functional expenses and cash flow for the year then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the combined financial position of MERS/Missouri Goodwill Industries and Affiliates as of December 31, 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Prior Year Audited by Other Auditors

The 2020 combined financial statements were audited by other auditors, and their report thereon, dated March 24, 2021, expressed an unmodified opinion.

Responsibilities of Management for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined 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 combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern within one year after the date that these combined financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined 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 combined financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency'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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency'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.

Board of Directors
MERS/Missouri Goodwill Industries
and Affiliates
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2022, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Agency's 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 Agency's internal control over financial reporting and compliance.

BKD, LLP

St. Louis, Missouri
March 28, 2022

MERS/MISSOURI GOODWILL INDUSTRIES AND AFFILIATES

**COMBINED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020**

| <u>ASSETS</u> | <u>2021</u> | <u>2020</u> |
|--|-----------------------|-----------------------|
| Current Assets | | |
| Cash and cash equivalents | \$ 4,262,421 | \$ 2,472,565 |
| Accounts and grants receivable (net of allowance for potentially uncollectible accounts of \$735,193 and \$420,183 as of December 31, 2021 and 2020, respectively) | 7,995,529 | 8,521,181 |
| Promises to give | 648,791 | 578,839 |
| Inventories | 3,645,663 | 3,283,497 |
| Prepaid expenses | 365,636 | 281,951 |
| Investments, at fair value | 26,015,429 | 23,172,548 |
| Total Current Assets | <u>42,933,469</u> | <u>38,310,581</u> |
| Beneficial interest in trusts, at fair value | 1,804,112 | 1,608,715 |
| Property and equipment, net | 80,545,508 | 80,001,103 |
| Construction in progress | 568,790 | 2,032,863 |
| Investments, at fair value | 69,888 | 47,855 |
| Total Assets | <u>\$ 125,921,767</u> | <u>\$ 122,001,117</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Current Liabilities | | |
| Current maturities of long-term debt | \$ 602,003 | \$ 531,529 |
| Line of credit | - | 6,378,665 |
| Accounts payable | 3,753,861 | 4,686,420 |
| Accrued expenses | 7,538,902 | 5,779,367 |
| Deferred revenue | 156,161 | 52,199 |
| Total Current Liabilities | <u>12,050,927</u> | <u>17,428,180</u> |
| Long-Term Debt, Less Current Maturities | <u>20,853,561</u> | <u>21,466,305</u> |
| Total Liabilities | <u>32,904,488</u> | <u>38,894,485</u> |
| Net Assets | | |
| Without donor restriction, undesignated | <u>90,159,628</u> | <u>80,904,585</u> |
| With donor restriction | | |
| Time-restricted for future periods | 1,053,539 | 593,332 |
| Perpetual in nature | 1,804,112 | 1,608,715 |
| Total Net Assets | <u>93,017,279</u> | <u>83,106,632</u> |
| Total Liabilities and Net Assets | <u>\$ 125,921,767</u> | <u>\$ 122,001,117</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 YEAR ENDED DECEMBER 31, 2021**

| | 2021 | | |
|---|----------------------------|------------------------|----------------------|
| | Without Donor Restrictions | With Donor Restriction | Total |
| Public Support | | | |
| Contributions of inventory | \$ 83,952,082 | \$ - | \$ 83,952,082 |
| Associated organizations | - | 778,791 | 778,791 |
| Other contributions | 1,446,597 | 390,300 | 1,836,897 |
| Total Public Support | <u>85,398,679</u> | <u>1,169,091</u> | <u>86,567,770</u> |
| Revenue | | | |
| Stores and salvage sales | 84,886,061 | - | 84,886,061 |
| Contract services | 7,101,704 | - | 7,101,704 |
| Employment and training | 26,619,580 | - | 26,619,580 |
| Sheltered workshop | 972,615 | - | 972,615 |
| Other program services | - | - | - |
| Investment gain, net of fees | 3,374,774 | - | 3,374,774 |
| Change in value of beneficial interest in trust | - | 195,397 | 195,397 |
| Rental income | 452,737 | - | 452,737 |
| Miscellaneous | 50,368 | - | 50,368 |
| Total Revenue | <u>123,457,839</u> | <u>195,397</u> | <u>123,653,236</u> |
| Net Assets Released from Restrictions | <u>708,884</u> | <u>(708,884)</u> | <u>-</u> |
| Total Public Support and Revenue | <u>209,565,402</u> | <u>655,604</u> | <u>210,221,006</u> |
| Expenses | | | |
| Program Services | | | |
| Stores and salvage | 157,948,137 | - | 157,948,137 |
| Contract services | 5,982,184 | - | 5,982,184 |
| Employment and training | 25,886,215 | - | 25,886,215 |
| Sheltered workshop | 1,032,049 | - | 1,032,049 |
| Other services | 156,915 | - | 156,915 |
| Total Program Services | <u>191,005,500</u> | <u>-</u> | <u>191,005,500</u> |
| Supporting Services | | | |
| Management and general | 7,826,373 | - | 7,826,373 |
| Fundraising | 1,478,486 | - | 1,478,486 |
| Total Supporting Services | <u>9,304,859</u> | <u>-</u> | <u>9,304,859</u> |
| Total Expenses | <u>200,310,359</u> | <u>-</u> | <u>200,310,359</u> |
| Change in Net Assets | 9,255,043 | 655,604 | 9,910,647 |
| Net Assets, Beginning of Year | <u>80,904,585</u> | <u>2,202,047</u> | <u>83,106,632</u> |
| Net Assets, End of Year | <u>\$ 90,159,628</u> | <u>\$ 2,857,651</u> | <u>\$ 93,017,279</u> |

MERS/MISSOURI GOODWILL INDUSTRIES AND AFFILIATES

**COMBINED STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020**

| | 2020 | | |
|---|---|-----------------------------------|----------------------|
| | Without Donor Restrictions | With Donor Restriction | Total |
| Public Support | | | |
| Contributions of inventory | \$ 55,818,263 | \$ - | \$ 55,818,263 |
| Associated organizations | - | 703,839 | 703,839 |
| Other contributions | 950,294 | 138,941 | 1,089,235 |
| Total Public Support | <u>56,768,557</u> | <u>842,780</u> | <u>57,611,337</u> |
| Revenue | | | |
| Stores and salvage sales | 56,622,784 | - | 56,622,784 |
| Contract services | 7,512,966 | - | 7,512,966 |
| Employment and training | 27,349,593 | - | 27,349,593 |
| Sheltered workshop | 950,996 | - | 950,996 |
| Other program services | 712,819 | - | 712,819 |
| Investment gain, net of fees | 2,156,746 | - | 2,156,746 |
| Change in value of beneficial interest in trust | - | 151,331 | 151,331 |
| Rental income | 269,244 | - | 269,244 |
| Miscellaneous | 19,817 | - | 19,817 |
| Total Revenue | <u>95,594,965</u> | <u>151,331</u> | <u>95,746,296</u> |
| Net Assets Released from Restrictions | <u>938,320</u> | <u>(938,320)</u> | <u>-</u> |
| Total Public Support and Revenue | <u>153,301,842</u> | <u>55,791</u> | <u>153,357,633</u> |
| Expenses | | | |
| Program Services | | | |
| Stores and salvage | 119,210,216 | - | 119,210,216 |
| Contract services | 6,330,982 | - | 6,330,982 |
| Employment and training | 23,969,992 | - | 23,969,992 |
| Sheltered workshop | 851,461 | - | 851,461 |
| Other services | 660,965 | - | 660,965 |
| Total Program Services | <u>151,023,616</u> | <u>-</u> | <u>151,023,616</u> |
| Supporting Services | | | |
| Management and general | 6,945,229 | - | 6,945,229 |
| Fundraising | 1,364,288 | - | 1,364,288 |
| Total Supporting Services | <u>8,309,517</u> | <u>-</u> | <u>8,309,517</u> |
| Total Expenses | <u>159,333,133</u> | <u>-</u> | <u>159,333,133</u> |
| Change in Net Assets | (6,031,291) | 55,791 | (5,975,500) |
| Net Assets, Beginning of Year | <u>86,935,876</u> | <u>2,146,256</u> | <u>89,082,132</u> |
| Net Assets, End of Year | <u>\$ 80,904,585</u> | <u>\$ 2,202,047</u> | <u>\$ 83,106,632</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, 2021**

| | Program Services | | | |
|--|--------------------------|----------------------|-------------------------------|-----------------------|
| | Stores and Salvage | Contract Services | Employment and Training | Sheltered Workshop |
| Salaries and wages | \$ 37,270,592 | \$ 3,691,538 | \$ 14,322,112 | \$ 604,467 |
| Employee welfare | 9,499,096 | 294,799 | 3,730,828 | 123,652 |
| Payroll taxes and benefits | 3,277,917 | 321,201 | 1,423,674 | 53,397 |
| Total Salaries and Related Expenses | <u>50,047,605</u> | <u>4,307,538</u> | <u>19,476,614</u> | <u>781,516</u> |
| Cost of donated goods sold | 83,589,916 | - | - | - |
| Professional fees and contracts | 2,188,072 | 801,893 | 643,488 | 28,056 |
| Supplies | 2,330,628 | 325,809 | 336,234 | 8,981 |
| Telephone | 743,301 | 46,952 | 367,761 | 2,475 |
| Postage and shipping | 581,780 | - | 30,320 | 58 |
| Occupancy | 9,636,004 | 29,794 | 1,478,274 | 57,129 |
| Rental and maintenance of equipment | 2,827,800 | 28,380 | 80,061 | 31,688 |
| Local transportation | 527,410 | 61,723 | 214,536 | 6,639 |
| Printing and publications | - | - | 5,005 | - |
| Dues to Goodwill Industries International | - | - | - | - |
| Insurance | 751,657 | 82,034 | 322,513 | 10,848 |
| Interest and bank fees | 1,679,312 | 1,988 | 126,069 | 1,022 |
| Client services | 33,969 | - | 634,932 | 860 |
| Miscellaneous expense | 63,046 | 98,009 | 606,838 | 1,585 |
| Bad debt expense (recovery) | 4,252 | 137,868 | 172,639 | 251 |
| Depreciation | 2,943,385 | 60,196 | 807,073 | 100,941 |
| Total Expenses | <u>157,948,137</u> | <u>5,982,184</u> | <u>25,302,357</u> | <u>1,032,049</u> |
| Indirect cost allocation | - | - | 583,858 | - |
| Total Expenses Including Indirect Cost Allocation | <u>\$ 157,948,137</u> | <u>\$ 5,982,184</u> | <u>\$ 25,886,215</u> | <u>\$ 1,032,049</u> |

| | | <u>Supporting Services</u> | | | |
|-----------------------|-----------------------|-------------------------------|---------------------|---------------------|-----------------------|
| <u>Other Services</u> | <u>Total</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> | <u>Total</u> |
| \$ 75,292 | \$ 55,964,001 | \$ 2,932,757 | \$ 264,821 | \$ 3,197,578 | \$ 59,161,579 |
| 14,773 | 13,663,148 | 678,853 | 74,311 | 753,164 | 14,416,312 |
| 6,047 | 5,082,236 | 210,416 | 20,046 | 230,462 | 5,312,698 |
| <u>96,112</u> | <u>74,709,385</u> | <u>3,822,026</u> | <u>359,178</u> | <u>4,181,204</u> | <u>78,890,589</u> |
| - | 83,589,916 | - | - | - | 83,589,916 |
| 450 | 3,661,959 | 1,553,698 | 103,828 | 1,657,526 | 5,319,485 |
| 57,306 | 3,058,958 | 262,428 | 3,908 | 266,336 | 3,325,294 |
| 600 | 1,161,089 | 62,677 | 1,614 | 64,291 | 1,225,380 |
| - | 612,158 | 24,349 | 1,455 | 25,804 | 637,962 |
| - | 11,201,201 | 862,955 | - | 862,955 | 12,064,156 |
| 2,259 | 2,970,188 | 136,168 | - | 136,168 | 3,106,356 |
| - | 810,308 | 70,882 | 2,419 | 73,301 | 883,609 |
| - | 5,005 | - | 1,004,338 | 1,004,338 | 1,009,343 |
| - | - | 178,896 | - | 178,896 | 178,896 |
| 6 | 1,167,058 | 172,151 | 1,345 | 173,496 | 1,340,554 |
| 1,582 | 1,809,973 | 311,636 | - | 311,636 | 2,121,609 |
| - | 669,761 | - | - | - | 669,761 |
| (1,400) | 768,078 | 221,871 | 401 | 222,272 | 990,350 |
| - | 315,010 | - | - | - | 315,010 |
| - | 3,911,595 | 730,494 | - | 730,494 | 4,642,089 |
| <u>156,915</u> | <u>190,421,642</u> | <u>8,410,231</u> | <u>1,478,486</u> | <u>9,888,717</u> | <u>200,310,359</u> |
| - | 583,858 | (583,858) | - | (583,858) | - |
| <u>\$ 156,915</u> | <u>\$ 191,005,500</u> | <u>\$ 7,826,373</u> | <u>\$ 1,478,486</u> | <u>\$ 9,304,859</u> | <u>\$ 200,310,359</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, 2020**

| | Program Services | | | |
|--|-----------------------------------|------------------------------|--|-------------------------------|
| | <u>Stores and Salvage</u> | <u>Contract Services</u> | <u>Employment and Training</u> | <u>Sheltered Workshop</u> |
| Salaries and wages | \$ 30,408,210 | \$ 4,136,119 | \$ 13,625,914 | \$ 546,151 |
| Employee welfare | 6,582,701 | 224,764 | 2,711,884 | 70,728 |
| Payroll taxes and benefits | 3,885,002 | 447,994 | 1,303,383 | 49,550 |
| Total Salaries and Related Expenses | <u>40,875,913</u> | <u>4,808,877</u> | <u>17,641,181</u> | <u>666,429</u> |
| Cost of donated goods sold | 55,733,222 | - | - | - |
| Professional fees and contracts | 1,487,421 | 664,316 | 503,773 | 33,379 |
| Supplies | 3,288,615 | 386,418 | 324,613 | 24,227 |
| Telephone | 616,658 | 38,270 | 400,165 | 6,868 |
| Postage and shipping | 485,783 | - | 38,474 | 157 |
| Occupancy | 8,482,317 | 25,162 | 1,500,943 | 47,009 |
| Rental and maintenance of equipment | 2,801,075 | 70,517 | 132,182 | 26,746 |
| Local transportation | 302,372 | 73,639 | 244,272 | 4,351 |
| Printing and publications | 7,945 | - | - | - |
| Dues to Goodwill Industries International | - | - | - | - |
| Insurance | 617,774 | 66,727 | 297,076 | 10,794 |
| Interest and bank fees | 1,293,074 | 1,855 | 105,190 | 951 |
| Client services | 5,093 | - | 702,928 | - |
| Miscellaneous expense | 80,109 | 102,517 | 391,768 | 1,348 |
| Bad debt expense (recovery) | (8,012) | 53,903 | 317,161 | 1,809 |
| Depreciation | 3,140,857 | 38,781 | 802,430 | 27,393 |
| Total Expenses | <u>119,210,216</u> | <u>6,330,982</u> | <u>23,402,156</u> | <u>851,461</u> |
| Indirect cost allocation | <u>-</u> | <u>-</u> | <u>567,836</u> | <u>-</u> |
| Total Expenses Including Indirect Cost Allocation | <u>\$ 119,210,216</u> | <u>\$ 6,330,982</u> | <u>\$ 23,969,992</u> | <u>\$ 851,461</u> |

| | | Supporting Services | | | | | |
|---------------------------|-----------------------|---------------------------------------|---------------------|---------------------|-----------------------|--|--|
| Other Services | Total | Management and General | Fundraising | Total | Total | | |
| \$ 435,164 | \$ 49,151,558 | \$ 3,268,699 | \$ 276,281 | \$ 3,544,980 | \$ 52,696,538 | | |
| 43,653 | 9,633,730 | 504,247 | 41,095 | 545,342 | 10,179,072 | | |
| 44,633 | 5,730,562 | 284,278 | 24,768 | 309,046 | 6,039,608 | | |
| <u>523,450</u> | <u>64,515,850</u> | <u>4,057,224</u> | <u>342,144</u> | <u>4,399,368</u> | <u>68,915,218</u> | | |
| - | 55,733,222 | - | - | - | 55,733,222 | | |
| 9,259 | 2,698,148 | 1,341,654 | 110,369 | 1,452,023 | 4,150,171 | | |
| 109,275 | 4,133,148 | 237,882 | 1,403 | 239,285 | 4,372,433 | | |
| 5,156 | 1,067,117 | 60,115 | 1,508 | 61,623 | 1,128,740 | | |
| - | 524,414 | 21,676 | 1,418 | 23,094 | 547,508 | | |
| - | 10,055,431 | 259,081 | - | 259,081 | 10,314,512 | | |
| 3,523 | 3,034,043 | 101,850 | - | 101,850 | 3,135,893 | | |
| 2,578 | 627,212 | 64,407 | 683 | 65,090 | 692,302 | | |
| - | 7,945 | - | 903,837 | 903,837 | 911,782 | | |
| - | - | 176,940 | - | 176,940 | 176,940 | | |
| - | 992,371 | 149,031 | 1,179 | 150,210 | 1,142,581 | | |
| 1,510 | 1,402,580 | 297,438 | - | 297,438 | 1,700,018 | | |
| 1,076 | 709,097 | - | - | - | 709,097 | | |
| 1,259 | 577,001 | 78,551 | 1,747 | 80,298 | 657,299 | | |
| - | 364,861 | - | - | - | 364,861 | | |
| <u>3,879</u> | <u>4,013,340</u> | <u>667,216</u> | <u>-</u> | <u>667,216</u> | <u>4,680,556</u> | | |
| <u>660,965</u> | <u>150,455,780</u> | <u>7,513,065</u> | <u>1,364,288</u> | <u>8,877,353</u> | <u>159,333,133</u> | | |
| <u>-</u> | <u>567,836</u> | <u>(567,836)</u> | <u>-</u> | <u>(567,836)</u> | <u>-</u> | | |
| <u>\$ 660,965</u> | <u>\$ 151,023,616</u> | <u>\$ 6,945,229</u> | <u>\$ 1,364,288</u> | <u>\$ 8,309,517</u> | <u>\$ 159,333,133</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, 2021 AND 2020**

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Cash Flows from Operating Activities | | |
| Change in net assets | \$ 9,910,647 | \$ (5,975,500) |
| Items not requiring (providing) cash | | |
| Depreciation and amortization | 4,642,089 | 4,680,556 |
| Bad debt provision | 315,010 | 364,861 |
| Gain on disposal of property and equipment | (24,231) | - |
| Gain on investments | (3,234,448) | (1,814,441) |
| Change in value of beneficial interest in trusts | (195,397) | (151,331) |
| Changes in assets - (increase) decrease | | |
| Accounts and grants receivable | 210,642 | 1,773,224 |
| Promises to give | (69,952) | - |
| Inventories | (362,166) | (85,041) |
| Prepaid expenses | (83,685) | 137,179 |
| Changes in liabilities - increase (decrease) | | |
| Accounts payable and accrued expenses | 813,901 | 1,387,439 |
| Deferred revenue | 117,037 | 18,709 |
| Net Cash Provided by Operating Activities | <u>12,039,447</u> | <u>335,655</u> |
| Cash Flows from Investing Activities | | |
| Purchases of investments | (24,359,743) | (5,202,120) |
| Proceeds from sales of investments | 24,729,277 | 4,376,608 |
| Payments for property and equipment and construction in progress | (3,746,985) | (6,972,143) |
| Proceeds from disposition of property and equipment | 48,795 | - |
| Net Cash Used in Investing Activities | <u>(3,328,656)</u> | <u>(7,797,655)</u> |
| Cash Flows from Financing Activities | | |
| Proceeds from long term debt | - | 10,000,000 |
| Proceeds from line of credit | 2,100,000 | 8,500,000 |
| Payments on long term debt | (542,270) | (359,673) |
| Payments on line of credit | (8,478,665) | (10,900,000) |
| Net Cash Provided by (Used in) Financing Activities | <u>(6,920,935)</u> | <u>7,240,327</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 1,789,856 | (221,673) |
| Cash and Cash Equivalents, Beginning of Year | <u>2,472,565</u> | <u>2,694,238</u> |
| Cash and Cash Equivalents, End of Year | \$ <u>4,262,421</u> | \$ <u>2,472,565</u> |
| Supplemental Disclosure of Cash Flow Information | | |
| Interest Paid | \$ <u>873,142</u> | \$ <u>833,237</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.

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 and Grants Receivable

Accounts and grants 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 and grants 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.

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 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.

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 years ended December 31, 2021 and 2020.

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.

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.

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. Contributions are recognized either with or without restrictions placed on the gift by the donor. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

MERS/MISSOURI GOODWILL INDUSTRIES AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

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

Donated Inventory, Materials and Services

Donated inventory and materials are recorded as contributions and expense 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, 2021 and 2020.

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.

MERS/MISSOURI GOODWILL INDUSTRIES AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

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

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.

Fundraising

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

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fundraising categories based on the square footage and other methods.

Printing and Publications

Printing and Publication costs are expensed as incurred. Printing and publication expense amounted to \$1,009,343 and \$911,782 for the years ended December 31, 2021 and 2020, 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, 2021 and 2020.

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 change in net assets.

Subsequent Events

Subsequent events have been evaluated by management through March 28, 2022, the date the combined financial statements were available to be issued.

MERS/MISSOURI GOODWILL INDUSTRIES AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 LIQUIDITY AND AVAILABILITY OF RESOURCES

The Agency monitors its liquidity monthly. 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>2021</u> | <u>2020</u> |
|---|-----------------------------|-----------------------------|
| Cash and cash equivalents | \$ 4,262,421 | \$ 2,472,565 |
| Accounts receivable | 7,995,529 | 8,521,181 |
| Promises to give | 648,791 | 578,839 |
| Investments, at fair value | 26,015,429 | 23,172,548 |
| Distributions from beneficial interest in trusts held by others | 69,500 | 61,800 |
| Less net assets with donor restrictions | (404,748) | (14,493) |
| | <u>\$ 38,586,922</u> | <u>\$ 34,792,440</u> |

NOTE 3 ACCOUNTS AND GRANTS RECEIVABLE

Accounts and grants receivable consists of the following as of December 31:

| | <u>2021</u> | <u>2020</u> |
|---|----------------------------|----------------------------|
| Grants | \$ 3,495,431 | \$ 3,123,378 |
| Excel High Schools | 2,821,104 | 3,256,180 |
| Contract revenues | 1,561,582 | 1,235,939 |
| Employment and training revenues | 483,065 | 938,918 |
| Other | 369,540 | 386,949 |
| Accounts receivable, gross | 8,730,722 | 8,941,364 |
| Less allowance for uncollectible accounts | (735,193) | (420,183) |
| Accounts receivable, net | <u>\$ 7,995,529</u> | <u>\$ 8,521,181</u> |

At December 31, 2021 and 2020, respectively, 57% and 63% of accounts and grants receivable were from three Organizations.

NOTE 4 PROMISES TO GIVE

Promises to give include contributions from organizations of \$648,791 and \$578,839 at December 31, 2021 and 2020, respectively. Management expects to receive the cash for these promises within one year.

MERS/MISSOURI GOODWILL INDUSTRIES AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

NOTE 5 INVESTMENTS

Investments consist of the following as of December 31:

| | <u>2021</u> | <u>2020</u> |
|------------------------|----------------------|----------------------|
| Common stocks | \$16,880,974 | \$11,917,177 |
| Preferred stocks | 129,587 | - |
| Mutual funds | 1,295,650 | 1,372,915 |
| Exchange traded funds | - | 1,615,644 |
| Corporate fixed income | 3,992,694 | 3,597,627 |
| Hedge funds | 2,323,136 | 3,532,682 |
| Private equity | 1,393,388 | 1,136,503 |
| Mineral leases | 69,888 | 47,855 |
| | | |
| Total | <u>\$ 26,085,317</u> | <u>\$ 23,220,403</u> |

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

| | <u>2021</u> | <u>2020</u> |
|-----------------------|----------------------|----------------------|
| Investments, current | \$ 26,015,429 | \$ 23,172,548 |
| Investment, long term | 69,888 | 47,855 |
| | | |
| Total | <u>\$ 26,085,317</u> | <u>\$ 23,220,403</u> |

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. |

MERS/MISSOURI GOODWILL INDUSTRIES AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 FAIR VALUE (CONTINUED)

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, 2021 as compared to December 31, 2020.

Common Stocks, Mutual Funds and Preferred Stocks: The fair value of marketable securities 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.

Hedge Funds: Hedge funds are 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, 2021 and 2020 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.

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.

MERS/MISSOURI GOODWILL INDUSTRIES AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 FAIR VALUE (CONTINUED)

The following tables set forth by level, within the fair value hierarchy, the Agency's assets at fair value as of December 31, 2021 and 2020:

| 2021 | <u>Total</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|-------------------------------|-----------------------------|----------------------------|----------------------------|----------------------------|
| Common stocks | \$16,880,974 | \$16,880,974 | \$ - | \$ - |
| Preferred stocks | 129,587 | 129,587 | - | - |
| Mutual Funds | 1,295,650 | 1,295,650 | - | - |
| Corporate fixed income | 3,992,694 | - | 3,992,694 | - |
| Hedge funds (a) | 2,323,136 | - | - | - |
| Private equity | 1,393,388 | - | - | 1,393,388 |
| Mineral leases | 69,888 | - | - | 69,888 |
| Beneficial interest in trusts | 1,804,112 | - | - | 1,804,112 |
| Total | <u>\$ 27,889,429</u> | <u>\$18,306,211</u> | <u>\$ 3,992,694</u> | <u>\$ 3,267,388</u> |
| | | | | |
| 2020 | <u>Total</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| Common stocks | \$11,917,177 | \$11,917,177 | \$ - | \$ - |
| Mutual Funds | 1,372,915 | 1,372,915 | - | - |
| Exchange traded funds | 1,615,644 | 1,615,644 | - | - |
| Corporate fixed income | 3,597,627 | - | 3,597,627 | - |
| Hedge funds (a) | 3,532,682 | - | - | - |
| Private equity | 1,136,503 | - | - | 1,136,503 |
| Mineral leases | 47,855 | - | - | 47,855 |
| Beneficial interest in trusts | 1,608,715 | - | - | 1,608,715 |
| Total | <u>\$ 24,829,118</u> | <u>\$14,905,736</u> | <u>\$ 3,597,627</u> | <u>\$ 2,793,073</u> |

- (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, 2021 and 2020, the total transfers to Level 3 and other changes in assets measured using significant unobservable inputs (Level 3) were as follows:

| | Level 3 Assets | | |
|--|--------------------------|------------------|---------------------|
| | Year Ended | | |
| | December 31, 2021 | | |
| | <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 | \$ 1,136,503 | \$ 47,855 | \$ 1,608,715 |
| Purchases | 200,249 | - | - |
| Unrealized gains (losses) relating to instruments still held at the reporting date | <u>56,636</u> | <u>22,033</u> | <u>195,397</u> |
| Balance, end of year | <u>\$ 1,393,388</u> | <u>\$ 69,888</u> | <u>\$ 1,804,112</u> |
| | | | |
| | Level 3 Assets | | |
| | Year Ended | | |
| | December 31, 2020 | | |
| | <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 | \$ 1,021,943 | \$ 68,443 | \$ 1,457,384 |
| Purchases | 112,031 | - | - |
| Unrealized gains (losses) relating to instruments still held at the reporting date | <u>2,529</u> | <u>(20,588)</u> | <u>151,331</u> |
| Balance, end of year | <u>\$ 1,136,503</u> | <u>\$ 47,855</u> | <u>\$ 1,608,715</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, 2021 and 2020, respectively.

Fair Value

| Investment Name | 2021 | 2020 | Redemption Frequency | Redemption Notice Period | Unfunded Commitments |
|------------------------|-------------|-------------|---------------------------------|-------------------------------------|---------------------------------|
| Hedge funds | \$2,323,136 | \$3,532,682 | Quarterly | 45-60 days | \$ 342,177 |

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.

MERS/MISSOURI GOODWILL INDUSTRIES AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

NOTE 7 PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

| | <u>2021</u> | <u>2020</u> |
|------------------------------------|-----------------------------|-----------------------------|
| Land and land improvements | \$ 19,544,992 | \$ 18,028,929 |
| Building and building improvements | 63,193,816 | 61,291,181 |
| Leasehold improvements | 4,023,180 | 5,412,130 |
| Equipment, furniture, and fixtures | 12,156,862 | 12,982,348 |
| Vehicles | 764,323 | 1,733,125 |
| | 99,683,173 | 99,447,713 |
| Less: Accumulated depreciation | (19,137,665) | (19,446,610) |
| | 80,545,508 | 80,001,103 |
| Plus: Construction in progress | 568,790 | 2,032,863 |
| | <u>\$ 81,114,298</u> | <u>\$ 82,033,966</u> |

NOTE 8 LONG-TERM DEBT

At December 31, 2021 and 2020, long-term debt was as follows:

| | <u>2021</u> | <u>2020</u> |
|---|-----------------------------|-----------------------------|
| 3.15% note payable to bank, due in monthly installments of \$48,448, including interest, with a balloon payment due July 10, 2027 secured by real property. | \$ 9,621,652 | \$ 9,891,063 |
| 2.87% note payable to bank, due in monthly installments of \$17,021, including interest, with a balloon payment due November 30, 2028 secured by real property. | 3,640,776 | 3,725,161 |
| 2.87% note payable to bank, due in monthly installments of \$13,623, including interest, with a balloon payment due November 30, 2028 secured by real property | 2,914,011 | 2,980,128 |
| 2.87% note payable to bank, due in monthly installments of \$12,766, including interest, with a balloon payment due November 30, 2028 secured by real property. | 2,730,582 | 2,793,870 |
| 2.87% note payable to bank, due in monthly installments due of \$11,915, including interest, with a balloon payment November 30, 2028 secured by real property. | 2,548,543 | 2,607,612 |
| | 21,455,564 | 21,997,834 |
| Less Current Maturities of Long-Term Debt | (602,003) | (531,529) |
| Long-Term Debt | <u>\$ 20,853,561</u> | <u>\$ 21,466,305</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:

| | |
|------------|---------------------|
| 2022 | \$ 602,003 |
| 2023 | 620,568 |
| 2024 | 637,989 |
| 2025 | 659,384 |
| 2026 | 679,723 |
| Thereafter | <u>18,255,897</u> |
| | <u>\$21,455,564</u> |

NOTE 9 NET ASSETS WITH DONOR RESTRICTION

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

| | <u>2021</u> | <u>2020</u> |
|--|----------------------------|----------------------------|
| Subject to the passage of time: | | |
| Promises to give that are not restricted by donors, but which are unavailable for expenditure until paid | \$ 1,053,539 | \$ 593,332 |
| Beneficial interest in trust in perpetuity | <u>1,804,112</u> | <u>1,608,715</u> |
| | <u>\$ 2,857,651</u> | <u>\$ 2,202,047</u> |

Net assets were released from donor restrictions by expiration of time restrictions totaled \$708,884 and \$938,320 for the years ended December 31, 2021 and 2020, respectively.

NOTE 10 DEFERRED COMPENSATION PLANS

The Agency has 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 \$314,980 and \$279,598 for the years ended December 31, 2021 and 2020, respectively.

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 \$1,238,419 and \$337,086 for the years ended December 31, 2021 and 2020, respectively. The assets of this qualified Plan are held in trust and are appropriately not included in the combined financial statements.

MERS/MISSOURI GOODWILL INDUSTRIES AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

NOTE 11 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 20 years.

At December 31, 2021, minimum annual rental commitments are as follows:

| | |
|------------|----------------------|
| 2022 | \$ 4,688,079 |
| 2023 | 4,049,278 |
| 2024 | 3,381,103 |
| 2025 | 2,449,938 |
| 2026 | 1,680,235 |
| Thereafter | <u>2,107,835</u> |
| | <u>\$ 18,356,468</u> |

Facility rent expense amounted to \$6,751,692 and \$6,079,293 as of December 31, 2021 and 2020, respectively.

NOTE 12 COMMITMENTS AND CONTINGENCIES

During the years ended December 31, 2021 and 2020, the Agency maintained a revolving loan agreement with its bank. On July 10, 2020, the Agency reduced its revolving loan agreement from \$15,000,000 to \$10,000,000. The maximum credit limit is \$10,000,000 through July 9, 2021 and \$15,000,000 through July 9, 2020. The revolving line of credit was renewed on July 9, 2021 with a July 8, 2022 maturity date. Interest is payable monthly at the bank's LIBOR daily floating rate. At December 31, 2021 and 2020, the Agency has an outstanding balance on this line-of-credit of \$0 and \$6,378,665, 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.

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 per employee for the years ended December 31, 2021 and 2020, respectively. The aggregate potential liability for the Agency is \$13,450,000 and \$12,987,000 for the years ended December 31, 2021 and 2020. 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, 2021 and 2020, as well as an estimated liability for claims incurred but not reported. The total accrued liability for self-insurance costs was \$1,962,164 and \$1,641,796 at December 31, 2021 and 2020, 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, 2021, 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.

MERS/MISSOURI GOODWILL INDUSTRIES AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

NOTE 12 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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 13 AFFILIATION WITH GOODWILL INDUSTRIES INTERNATIONAL

The Agency is affiliated with Goodwill Industries International. The Agency paid dues to Goodwill Industries International amounting to \$178,896 and \$176,940 the years ended December 31, 2021 and 2020, respectively. In exchange, Goodwill Industries International has the discretionary ability to pass through federal awards to the Agency.

NOTE 14 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.

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, 2021 and 2020, 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, 2021 | | | |
|--------------------------|---|---------------------------------|----------------------|----------------------------------|
| | <u>Over Period of Time</u> | <u>Point In Time</u> | <u>Grants</u> | <u>Total Revenues</u> |
| Stores and salvage sales | \$ - | \$ 84,886,061 | \$ - | \$ 84,886,061 |
| Contract services | 7,101,704 | - | - | 7,101,704 |
| Sheltered Workshop | 500,981 | - | 471,634 | 972,615 |
| Total Revenues | <u>\$ 7,602,685</u> | <u>\$ 84,886,061</u> | <u>\$ 471,634</u> | <u>\$ 92,960,380</u> |

MERS/MISSOURI GOODWILL INDUSTRIES AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

NOTE 14 REVENUE (CONTINUED)

| | Year Ended December 31, 2020 | | | |
|--------------------------|---|---------------------------------|----------------------|----------------------------------|
| | <u>Over Period of Time</u> | <u>Point In Time</u> | <u>Grants</u> | <u>Total Revenues</u> |
| Stores and salvage sales | \$ - | \$ 56,622,784 | \$ - | \$ 56,622,784 |
| Contract services | 7,512,966 | - | - | 7,512,966 |
| Sheltered Workshop | <u>438,747</u> | <u>-</u> | <u>512,249</u> | <u>950,996</u> |
| Total Revenues | <u>\$ 7,951,713</u> | <u>\$ 56,622,784</u> | <u>\$ 512,249</u> | <u>\$ 65,086,746</u> |

Contract Balances

The following table provides information about the Agency's net receivables from contracts with customers:

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|--------------------|
| Accounts receivable, net, beginning of the year | \$ 8,521,181 | \$ 10,659,266 |
| Accounts receivable, net, end of the year | \$ 7,974,714 | \$ 8,521,181 |

NOTE 15 RISK AND UNCERTAINTIES

The Agency's financial performance, estimates, reserves, contracts, and operations in the next 12 months may be affected by the ongoing outbreak of the coronavirus disease ("COVID-19"), which was declared a pandemic by the World Health Organization. The full extent and duration of the impact of COVID-19 on the Agency's operations and financial performance is currently unknown and depends on uncertain and unpredictable developments.