Harper, Rains, Knight & Company

FINANCIAL REPORT

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

RIDGELAND, MISSISSIPPI

DECEMBER 31, 2025

Presented by: Harper, Rains, Knight & Company, P.A.
1052 Highland Colony Parkway, Suite 100
Ridgeland, Mississippi 39157
601-605-0722
www.hrkcpa.com

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	2
FINANCIAL STATEMENTS	
Statements of financial position	5
Statements of activities	6
Statements of functional expenses	7
Statements of cash flows	9
Notes to financial statements	11
SUPPLEMENTARY INFORMATION	
Schedules of cash and cash equivalents	25

Harper, Rains, Knight & Company

The Board of Directors
Goodwill Industries of Mississippi, Inc.
Ridgeland, Mississippi

Independent Auditors' Report

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Goodwill Industries of Mississippi, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2025, the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

We did not observe the taking of the physical new goods inventories at December 31, 2025 (stated at $361,167). We were unable to obtain sufficient appropriate audit evidence about inventory quantities by other auditing procedures.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Other Matter

The financial statements of the Organization for the year ended December 31, 2024, were audited by another auditor whose report dated August 1, 2025, expressed a qualified opinion on those statements because of the departure from generally accepted accounting principles described in the Basis for Qualified Opinion section of our report.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule of cash and cash equivalents as of December 31, 2025, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The supplementary information identified in the accompanying financial statements as of December 31, 2024, was reported on by a predecessor auditor whose report was dated August 1, 2025. The predecessor auditor's report on the December 31, 2024 supplementary information expressed an opinion that the information was fairly stated, in all material respects, in relation to those financial statements.

Harper, Rainey, Knight & Company, P.A.

November 10, 2026
Ridgeland, Mississippi

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

STATEMENTS OF FINANCIAL POSITION
December 31, 2025 and 2024

ASSETS

	2025	2024
Current assets		
Cash and cash equivalents	$ 5,643,869	$ 7,337,152
Certificates of deposit	762,458	-
Employee retention credit receivable	584,942	1,059,366
Accounts receivable, net of allowance for credit losses of $-0- in 2025 and 2024	297,730	308,004
Investments	1,723,430	1,533,357
Inventory	361,167	330,337
Prepaid expenses	45,932	51,418
Total current assets	9,419,528	10,619,634
Long-term assets		
Property and equipment, net	8,883,309	4,754,772
Right of use assets, net of accumulated amortization - operating leases	5,838,726	3,927,164
Other assets	38,221	65,968
Total long-term assets	14,760,256	8,747,904
Total assets	$ 24,179,784	$ 19,367,538

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	$ 639,941	$ 249,692
Accrued expenses	482,862	502,301
Current portion of notes payable	298,001	176,099
Current portion of operating lease liabilities	483,671	498,633
Total current liabilities	1,904,475	1,426,725
Long-term liabilities		
Notes payable, net of current	5,132,254	2,997,002
Operating lease liabilities, net of current	5,528,537	3,355,442
Total long-term liabiltities	10,660,791	6,352,444
Total liabilities	12,565,266	7,779,169
Net assets		
Board designated	50,000	50,000
Without donor restrictions	11,564,518	11,538,369
Total net assets	11,614,518	11,588,369
Total liabilities and net assets	$ 24,179,784	$ 19,367,538

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

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

STATEMENTS OF ACTIVITIES
Years Ended December 31, 2025 and 2024

	2025	2024
Net assets without donor restrictions		
Revenue and support		
Operations		
Store sales	$ 8,127,272	$ 8,081,320
Less: Cost of goods sold	(386,187)	(152,335)
	7,741,085	7,928,985
E-commerce sales	449,497	424,106
Less: Cost of goods sold	(94,410)	(92,872)
	355,087	331,234
Total net sales	8,096,172	8,260,219
Vocational services	866,421	1,119,653
Salvage	640,445	622,430
Grant income	39,500	31,652
Employee retention credit interest	159,233	-
Net investment income	204,010	119,352
Miscellaneous income	11,984	6,853
	10,017,765	10,160,159
Contributions		
Goodwill Industries Volunteer Services	-	12,910
In-kind contributions	12,500	-
Other	111,631	95,496
	124,131	108,406
Total revenue and support	10,141,896	10,268,565
Expenses		
Program services	8,893,031	7,617,865
Management and administrative services	1,222,716	1,105,084
Total expenses	10,115,747	8,722,949
Change in net assets without donor restrictions	26,149	1,545,616
Net assets without donor restrictions at beginning of year	11,588,369	10,042,753
Net assets without donor restrictions at end of year	$ 11,614,518	$ 11,588,369

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

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2025

	Program Services					Management and Administrative Services	Total
	Stores and Contributed Goods	Vocational	Grants and Contracts	Salvage	E-Commerce		
Personnel costs	$ 3,342,619	$ 1,012,163	$ 134,230	$ 69,043	$ 199,205	$ 568,049	$ 5,325,309
Occupancy	1,248,905	-	-	-	-	(129,032)	1,119,873
Advertising	5,925	48	297	-	-	11,052	17,322
Awards, contributions and grants	-	-	-	-	-	10,999	10,999
Credit card and other fees	128,670	-	-	-	31,218	-	159,888
Depreciation	392,914	1,522	458	-	4,577	59,445	458,916
Insurance	127,315	-	-	-	-	79,779	207,094
Interest	286,385	-	-	-	-	-	286,385
Loss on disallowed employee retention credit	283,015	85,699	11,365	5,846	16,866	48,096	450,887
Membership dues	69,115	8,649	353	5,728	4,020	4,466	92,331
Miscellaneous	107,856	11,418	-	-	-	24,937	144,211
Postage	1,488	-	-	-	-	1,118	2,606
Printing and publications	2,617	14,616	-	-	-	11,103	28,336
Professional and other administrative costs	360	-	-	-	-	213,897	214,257
Repairs and maintenance	82,743	11	-	8,737	-	28,713	120,204
Specific assistance	-	-	-	-	-	8,442	8,442
Supplies	163,472	17,771	15,131	6,564	15,919	75,638	294,495
Taxes and licenses	127,986	-	-	-	-	2,054	130,040
Technology	37,884	17,251	321	-	1,163	53,684	110,303
Telephone and utilities	262,465	11,262	360	-	-	34,984	309,071
Travel and conferences	12,715	48,547	7,634	-	-	112,359	181,255
Waste disposal	440,590	-	-	-	-	2,933	443,523
Total operating expenses	7,125,039	1,228,957	170,149	95,918	272,968	1,222,716	10,115,747
Freight	41,527	-	-	-	-	-	41,527
Merchandise costs	344,660	-	-	-	-	-	344,660
Shipping and handling	-	-	-	-	94,410	-	94,410
Total cost of goods sold	386,187	-	-	-	94,410	-	480,597
Total functional expenses	$ 7,511,226	$ 1,228,957	$ 170,149	$ 95,918	$ 367,378	$ 1,222,716	$ 10,596,344

The Notes to Financial Statements are an integral part of this statement.

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2024

	Program Services					Management and Administrative Services	Total
	Stores and Contributed Goods	Vocational	Grants and Contracts	Salvage	E-Commerce		
Personnel costs	$ 3,318,916	$ 985,663	$ 66,796	$ 71,233	$ 193,919	$ 552,014	$ 5,188,541
Occupancy	869,342	-	97	-	-	42,227	911,666
Advertising	5,160	448	955	-	-	6,984	13,547
Awards, contributions and grants	4,170	-	5,029	-	-	3,480	12,679
Credit card and other fees	165,952	-	-	-	30,252	921	197,125
Depreciation	371,784	1,622	113	-	3,517	14,195	391,231
Insurance	93,373	-	-	-	-	41,392	134,765
Interest	172,657	-	-	-	-	-	172,657
Membership dues	82,665	11,454	324	6,317	4,342	1,159	106,261
Miscellaneous	8,113	6,597	-	433	-	23,828	38,971
Postage	1,598	-	-	-	-	260	1,858
Printing and publications	4,807	2,821	810	-	-	13,530	21,968
Professional and other administrative costs	550	-	-	-	7	232,163	232,720
Repairs and maintenance	71,980	-	101	5,167	-	3,688	80,936
Specific assistance	827	1,814	-	-	-	13,675	16,316
Supplies	127,955	7,962	8,555	8,930	11,638	33,890	198,930
Taxes and licenses	4,031	-	-	-	-	7,202	11,233
Technology	37,643	17,290	7,624	-	1,172	30,624	94,353
Telephone and utilities	292,801	11,384	616	-	816	20,639	326,256
Travel and conferences	13,761	37,807	4,733	-	474	63,213	119,988
Waste disposal	450,948	-	-	-	-	-	450,948
Total operating expenses	6,099,033	1,084,862	95,753	92,080	246,137	1,105,084	8,722,949
Freight	4,884	-	-	-	-	-	4,884
Merchandise costs	147,451	-	-	-	-	-	147,451
Shipping and handling	-	-	-	-	92,872	-	92,872
Total cost of goods sold	152,335	-	-	-	92,872	-	245,207
Total functional expenses	$ 6,251,368	$ 1,084,862	$ 95,753	$ 92,080	$ 339,009	$ 1,105,084	$ 8,968,156

The Notes to Financial Statements are an integral part of this statement.

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Change in net assets	$ 26,149	$ 1,545,616
Adjustments to reconcile change in net assets to net change in cash and cash equivalents from operating activities:		
Depreciation	458,916	391,231
Capitalized in-kind equipment	(12,500)	-
Reduction in carrying amount of right of use assets - operating	777,665	757,879
Realized gain on investments, net	(6,388)	-
Unrealized gain on investments, net	(104,163)	(112,666)
Gain on disposition of property and equipment	(2,900)	(6,839)
Interest income reinvested in certificates of deposit	(12,458)	-
Change in assets and liabilities:		
Employee retention credit receivable	474,424	-
Accounts receivable	10,274	(55,207)
Inventory	(30,830)	(210,891)
Prepaid expenses	5,486	33,692
Other assets	27,747	17,217
Accounts payable	390,249	(56,910)
Accrued expenses	(19,439)	166,428
Operating lease liabilities	(531,094)	(886,166)
Net change in cash and cash equivalents from operating activities	1,451,138	1,583,384
Cash flows from investing activities:		
Purchases of investments	(278,652)	(14,524)
Proceeds from sales of investments	199,130	-
Purchases of certificates of deposit	(750,000)	-
Proceeds from sale of property and equipment	2,900	41,624
Purchases of property and equipment	(2,054,953)	(155,812)
Net change in cash and cash equivalents from investing activities	(2,881,575)	(128,712)
Cash flows from financing activities:		
Principal payments on long-term debt	(262,846)	(164,170)
Net change in cash and cash equivalents from financing activities	(262,846)	(164,170)
Net change in cash and cash equivalents	(1,693,283)	1,290,502
Cash and cash equivalents, beginning	7,337,152	6,046,650
Cash and cash equivalents, ending	$ 5,643,869	$ 7,337,152

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

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

STATEMENTS OF CASH FLOWS (continued)
Years Ended December 31, 2025 and 2024

	2025	2024
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 286,385	$ 172,657
Noncash investing and financing activities:		
Acquisition of property and equipment through financing	$ 2,520,000	$ -
Acquisition of equipment through in-kind contributions	$ 12,500	$ -
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 2,689,227	$ 403,488

NOTE 1 • SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The nature of the organization and the significant accounting policies which have been followed by Goodwill Industries of Mississippi, Inc. (the "Organization") in preparing the accompanying financial statements are set forth below.

Organization and Operation

Goodwill Industries of Mississippi, Inc. was incorporated under the laws of the State of Mississippi on September 9, 1955, as a nonprofit corporation and has qualified as a tax-exempt organization under the Internal Revenue Code. The Organization is a member of Goodwill Industries International, Inc. and is a voluntary health and welfare organization that provides training and employment opportunities and sells donated goods to residents within its service area of 59 counties in Central Mississippi.

Basis of Presentation

The financial statements of the Organization have been prepared in conformity with accounting principles generally accepted in the United States of America under the accrual basis of accounting. The accrual basis of accounting is the method of accounting under which liabilities and expenses are recorded as incurred, whether or not paid, and income is recorded when earned, whether or not received.

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

- *Net Assets Without Donor Restriction* – net assets that are not subject to or are no longer subject to donor imposed stipulations.
- *Net Assets With Donor Restriction* – net assets whose use is limited by donor imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Organization has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received. As of December 31, 2025 and 2024, all donor restrictions were met in the year the contribution was received, and the Organization has no net assets with donor restrictions.

NOTE 1 • SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

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

Accounts Receivable and Allowance for Credit Losses

The Organization provides for estimated uncollectible accounts based on management's evaluation of outstanding accounts receivable at the end of the year. In evaluating the collectability of accounts receivable, the Organization analyzes past results and identifies trends for each source of revenue for the purpose of estimating the appropriate amounts of the allowance for credit losses and the provision for credit losses. This estimate is adjusted for management's assessment of current conditions and reasonable and supportable forecasts regarding future events. The Organization believes historical loss information is a reasonable starting point for which to calculate the expected allowance for credit losses.

Accounts receivable generally consist of amounts due from the Mississippi Department of Rehabilitation Services (MDRS). MDRS contracts with the Organization to provide certain professional services in connection with training of individuals to join the workforce. The Organization anticipates these amounts are fully collectible, and consequently, management has determined no allowance is considered necessary at December 31, 2025 and 2024.

The following table presents the opening and closing balances of accounts receivable:

	2025	2024
Accounts receivable, beginning of year	$ 308,004	$ 264,058
Accounts receivable, end of year	297,730	308,004

Contract Assets and Liabilities

Contract assets represent amounts related to services provided that have not been billed and that do not meet the conditions of unconditional right to payment. Contract liabilities represent revenue collected in advance of the contract period or amounts billed in excess of revenue recognized. The Organization does not report any contract assets or contract liabilities as of December 31, 2025 and 2024.

NOTE 1 • SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

The Organization holds an investment portfolio managed by a professional investment management group where funds are invested based on investment objectives determined by the Organization. Fiduciary oversight of the portfolio is provided by the Board of Directors.

The Organization reports investments in equity securities with readily determinable fair values in the statement of financial position at fair value. 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 2 for a discussion of fair value measurements.

Investment income included in the changes in net assets in the statements of activities is comprised of dividend income and realized and unrealized gains and losses, net of investment expenses.

Inventory

The Organization does not record the value of donated goods. Under generally accepted accounting principles, the recognition of an asset must be delayed until there is adequate evidence that the asset exists, has value, and can be reliably measured. Management asserts that the fair value of these goods is their selling price and cannot be determined until the time of sale.

The Organization purchases certain new goods inventory to complement sales of donated goods. This inventory is carried at the lower of cost (first-in, first-out method) or net realizable value.

Property and Equipment

Depreciable assets are shown in the accompanying statements of financial position at cost less accumulated depreciation. Maintenance, repairs and minor renewals are charged to expense, whereas additions and major improvements are capitalized at cost, if purchased, and at estimated fair market value on the date of donation, if donated. Property and equipment items retired or otherwise disposed of are removed from the asset and related accumulated depreciation accounts and any gains or losses from the disposition of assets are credited or charged through income.

Property and equipment are depreciated over the assets' estimated useful lives using the straight-line method as follows:

Buildings	7 to 39 years
Leasehold improvements	5 to 39 years
Vehicles	5 years
Machinery and equipment	5 to 7 years
Office equipment	5 to 7 years

NOTE 1 • SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Right of Use Assets and Lease Liabilities

The Organization recognizes and measures its leases in accordance with FASB ASC 842, *Leases*. The Organization determines if an arrangement is a lease, or contains a lease, at inception of a contract when the terms of an existing contract are changed. The Organization recognizes a lease liability and right of use ("ROU") asset at the commencement date of the lease. The Organization elected the practical expedient that allows lessees to choose not to separate lease and non-lease components by class of underlying asset and are applying this expedient to all relevant asset classes. As most of the operating leases do not provide an implicit rate, the Organization adopted the practical expedient to use the risk-free rate at the inception of the lease to determine the present value of lease payments. The risk-free rate is determined by using the Treasury bill rates using comparable terms.

Revenue Recognition

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

- *Store sales* – Store sales consist of the sale of donated goods and new goods. The sale of each individual item is recorded at the point of sale, the point at which the performance obligation for each individual item sold is met. Store sales do not include sales tax, because the Organization is a pass-through conduit for collecting and remitting sales taxes. Store merchandise is priced as marked or labeled.
- *Vocational services* – Vocational services are services provided by the Organization to other organizations or private individuals for the purpose of training individuals for permanent employment. Performance obligations under each contract are defined in terms of the various performance indicators. Revenue for these services is recognized when the service has been provided as determined by the satisfactory completion of the contracts' defined performance indicators.
- *Salvage* – Salvage revenue consists of donated goods that were unable to be sold in the Organization's retail stores and are sold on the after-retail market. Salvage is sold in bundles at prices determined by existing customer agreements, and revenue from each individual bundle is recognized when the bundle is shipped to the customer.
- *E-commerce* – E-commerce sales consist of sales of donated books, jewelry, clothes, musical instruments and other items on ShopGoodwill.com, and related shipping and handling revenue. E-commerce sales are sold FOB shipping, and therefore, sales are recorded when the goods are shipped, the point at which the performance obligation for each individual item is met.

NOTE 1 • SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cost of Goods Sold

Cost of goods sold, reflected in the accompanying statements of activities, consists of the purchase price and associated freight costs of new goods acquired for resale, as well as shipping and handling costs associated with e-commerce sales. Costs incurred in sorting, handling and preparing donated goods for sale are expensed as incurred and are not included in cost of goods sold.

Contributions and Gifts

Cash contributions are recorded as support when received unless specified for use in future periods. Periodically, the governing board allocates various contributions to be set aside for scholarship grants. As of December 31, 2025 and 2024, the board has designated $50,000 of net assets without restrictions for scholarships.

Contributed Services

The value of contributed services meeting the requirements for recognition in the financial statements is not material and has not been recorded. The Organization receives a variety of contributed services through community service requirements and on the job training assessments. A variety of tasks are performed that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

Government and Other Grants

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

Functional Expenses

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

Advertising Costs

Marketing and advertising costs are expensed when incurred and are included on the statement of functional expenses.

NOTE 1 • SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code ("the Code") and comparable state law. Contributions are tax deductible within the limitations prescribed by the Code.

Accounting standards require the recognition and measurement of uncertain tax positions taken or expected to be taken on income tax issues. As of December 31, 2025 and 2024, the Organization has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from these estimates. Significant estimates used in preparing these financial statements include those assumed in determining the methods and useful lives of property and equipment, fair value of investments, allowance for credit losses, right of use assets and related lease obligations and functional expense allocation. It is at least reasonably possible that the significant estimates used will change within the next year.

Liquidity and Availability

The Organization manages liquidity and reserves by maintaining adequate liquidity to fund near-term operations while maintaining sufficient reserves for long-term obligations. The Organization's financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenditures are summarized as follows:

NOTE 1 • SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Liquidity and Availability (continued)

	2025	2024
Financial assets at year-end:		
Cash and cash equivalents	$ 5,643,869	$ 7,337,152
Certificates of deposit	762,458	-
Employee retention credit receivable	584,942	1,059,366
Accounts receivable	297,730	308,004
Investments	1,723,430	1,533,357
Financial assets available to meet general expenditures over the next twelve months	$ 9,012,429	$ 10,237,879

The Organization has a goal to maintain financial assets on hand to meet 60 days of normal operating expenses, which are, on average, approximately $1,587,000 and $1,370,000 as of December 31, 2025 and 2024, respectively. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position date.

Reclassifications

Certain amounts in the prior period presented have been reclassified to conform to the current year presentation. These reclassifications had no effect on the previously reported change in net assets without donor restrictions.

Subsequent Events

Subsequent events have been evaluated through November 10, 2026, which is the date the combined financial statements were available to be issued.

In March 2026, the Organization finalized the purchase of a property in Meridian, Mississippi. The purchase was in part financed by a new loan for $2,872,000. This new loan, which has an interest rate of 5.18%, is payable monthly in 83 payments of $23,099 and one lump sum payment of $1,830,066 in March 2033.

In May 2026, the Organization obtained updated financing for its building in Ridgeland, Mississippi, which was under construction at December 31, 2025. The revised terms include an interest rate of 5.399% and a principal amount of $5,753,853, payable monthly in six interest-only installments followed by 77 monthly payments of $46,943 and one lump sum payment of $3,867,769 in May 2033.

NOTE 2 • FAIR VALUE MEASUREMENTS

ASC Topic 820, *Fair Value Measurements,* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are described as follows:

- *Level 1* – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization 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 need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the methodologies used at December 31, 2025 and 2024.

The preceding methods may produce a fair value calculation that may not be indicative of future fair values. Furthermore, although the Organization 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 availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. There were no transfers between Level 1, Level 2 or Level 3 for the years ending December 31, 2025 and 2024.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2025 and 2024:

NOTE 2 • FAIR VALUE MEASUREMENTS (continued)

Assets at Fair Value as of December 31, 2025

	Level 1	Level 2	Level 3	Total
Equity investments				
Mutual funds	$ 840,757	$ -	$ -	$ 840,757
Exchange-traded funds	882,673	-	-	882,673
Total investments at fair value	$ 1,723,430	$ -	$ -	$ 1,723,430

Assets at Fair Value as of December 31, 2024

	Level 1	Level 2	Level 3	Total
Equity investments				
Mutual funds	$ 752,813	$ -	$ -	$ 752,813
Exchange-traded funds	780,544	-	-	780,544
Total investments at fair value	$ 1,533,357	$ -	$ -	$ 1,533,357

NOTE 3 • PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2025 and 2024:

Property and equipment	January 1, 2025	Additions and Other	Retirements and Other	December 31, 2025
Land (nondepreciable)	$ 260,561	$ -	$ -	$ 260,561
Buildings	2,666,731	197,794	-	2,864,525
Leasehold improvements	2,392,223	531,209	12,650	2,936,082
Vehicles	445,248	75,000	(102,576)	417,672
Machinery and equipment	116,259	52,991	-	169,250
Office equipment	976,464	158,700	-	1,135,164
Construction in progress	23,447	3,571,759	(12,650)	3,582,556
Total property and equipment	6,880,933	4,587,453	(102,576)	11,365,810
Less accumulated depreciation	(2,126,161)	(458,916)	102,576	(2,482,501)
Property and equipment, net	$ 4,754,772	$ 4,128,537	$ -	$ 8,883,309

NOTE 3 • PROPERTY AND EQUIPMENT (continued)

Property and equipment	January 1, 2024	Additions and Other	Retirements and Other	December 31, 2024
Land (nondepreciable)	$ 260,561	$ -	$ -	$ 260,561
Buildings	2,666,731	-	-	2,666,731
Leasehold improvements	2,387,741	4,482	-	2,392,223
Vehicles	440,112	5,136	-	445,248
Machinery and equipment	72,999	43,260	-	116,259
Office equipment	938,601	79,487	(41,624)	976,464
Construction in progress	-	23,447	-	23,447
Total property and equipment	6,766,745	155,812	(41,624)	6,880,933
Less accumulated depreciation	(1,741,769)	(391,231)	6,839	(2,126,161)
Property and equipment, net	$ 5,024,976	$ (235,419)	$ (34,785)	$ 4,754,772

During 2025, the Organization received an in-kind donation of store equipment valued at $12,500. The asset was capitalized and will be charged to depreciation expense over its useful life, with a corresponding in-kind contribution of $12,500 reported on the statement of activities for the year ended December 31, 2025.

NOTE 4 • NOTES PAYABLE

	2025	2024
Trustmark Bank, term loan, originated in August 2022 in the amount of $2,160,242; interest at 4.90% per annum; secured by the land and building of the Organization's Greenville retail store location; monthly installments of $17,052 with a balloon payment due at maturity in November 2029.	$ 1,845,658	$ 1,955,609
Trustmark Bank, term loan, originated in February 2023 in the amount of $1,325,000; interest at 5.69% per annum; secured by the land and building of the Organization's Hattiesburg retail store location; monthly installments of $11,017 with a balloon payment due at maturity in February 2030.	1,153,853	1,217,492
Trustmark Bank, term loan, originated in February 2025 in the amount of $2,520,000; interest at 5.90% per annum; secured by the land and building of the Organization's Ridgeland retail store and administrative office location; monthly installments of $21,240 with a balloon payment due at maturity in February 2032.	2,430,744	-
	5,430,255	3,173,101
Less current maturities	(298,001)	(176,099)
	$ 5,132,254	$ 2,997,002

The maturities of notes payable are as follows:

Year Ending December 31,	
2026	$ 298,001
2027	314,784
2028	332,145
2029	1,692,676
2030	997,770
Thereafter	1,794,879
	$ 5,430,255

NOTE 5 • LEASES

The Organization leases certain retail space at various terms under long-term noncancellable operating lease agreements. The leases expire at various dates through 2046 and several of these leases provide for renewal options ranging from 1 to 20 years. The Organization includes in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. The Organization's operating leases provide for increases in future minimum annual rental payments.

The following schedule reconciles lease-related expenses to total occupancy cost reported on the statements of functional expenses for the years ended December 31, 2025 and 2024:

	2025	2024
Operating lease expense	$ 906,966	$ 770,167
Variable lease expense	111,397	63,020
Short-term lease expense	67,307	34,950
Total lease expense	1,085,670	868,137
Housekeeping, janitorial and security	34,203	43,529
Total occupancy cost	$ 1,119,873	$ 911,666

Other lease information for the years ended December 31, 2025 and 2024 are summarized as follows:

	2025	2024
Operating cash flows from operating leases	$ 660,347	$ 791,404
Weighted-average remaining lease term in years for operating leases	15.76	11.75
Weighted-average discount rate for operating leases	3.55%	1.95%

The following is a maturity analysis of the operating lease liabilities as of December 31, 2025:

Maturity Analysis	Operating
2026	$ 647,481
2027	653,987
2028	566,822
2029	518,859
2030	449,747
Thereafter	5,255,463
Total undiscounted cash flows	8,092,359
Less: present value discount	(2,080,151)
Total lease liabilities	$ 6,012,208

NOTE 6 • RETIREMENT PLANS

The Organization adopted a 403(b) retirement plan for employees of the Organization effective January 2025, with elective deferrals and employer match contributions effective October 2025. All employees are immediately eligible for elective deferrals and are eligible for employer match contributions upon completion of 12 months of service. Employer match contributions are vested on a 1- to 4-year graded schedule.

Effective October 2025, the Organization also established a plan under section 457(b) of the Internal Revenue Code. This plan is an eligible deferred compensation plan for tax-exempt employers. This plan allows for both employer contributions and elective salary deferrals for a designated class of employees.

The Organization's retirement plan expenses for the years ended December 31, 2025 and 2024, amount to $53,024 and $-0-, respectively.

NOTE 7 • CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances at multiple financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation up to $250,000. At December 31, 2025 and 2024, uninsured cash balances totaled $4,853,344 and $6,545,605, respectively.

The Organization is dependent upon contracts with customers in the geographic region that it serves. Additionally, the Organization is subject to claims that arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position or results of operations of the Organization.

NOTE 8 • EMPLOYEE RETENTION CREDIT

Under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") signed into law on March 27, 2020, and the subsequent extension of the CARES Act, management took the position that the Organization was eligible for refundable employee retention credits subject to certain criteria. The Organization filed amended Employer Quarterly Federal Tax 941 Forms and expected to receive the full benefit of the tax credits under the relief provisions.

The Organization received overpayment refunds of $78,893 plus interest in the amount of $21,803 during 2025. Additionally, the Organization received overpayment notices of $447,512 plus interest in the amount of $137,430 during 2025, refunds for which were received subsequent to year-end. Accordingly, $584,942 remains recorded as a receivable on the Organization's statement of financial position as of December 31, 2025.

NOTE 8 • EMPLOYEE RETENTION CREDIT (continued)

During 2025, the Internal Revenue Service denied one of the Organization's claims. The Organization appealed the denial, but the appeal was unsuccessful. As a result, the Organization has recognized a loss on disallowed employee retention credit in the amount of $450,887 for the year ended December 31, 2025.

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

SCHEDULES OF CASH AND CASH EQUIVALENTS
December 31, 2025 and 2024

	2025	2024
BankPlus	$ 485,607	$ 853,017
Cadence Bank	122,874	121,005
Edward Jones	15,786	16,625
Story Financial Partners	101,086	100,934
Trustmark	4,867,737	6,192,588
Undeposited funds	45,479	47,683
Change fund	5,300	5,300
	$ 5,643,869	$ 7,337,152