GOODWILL INDUSTRIES OF SOUTH CENTRAL CALIFORNIA

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR’S REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2023
(WITH 2022 COMPARABLE TOTALS)

GOODWILL INDUSTRIES OF
SOUTH CENTRAL CALIFORNIA
DECEMBER 31, 2023
(WITH 2022 COMPARABLE TOTALS)

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Goodwill Industries of South Central California
Bakersfield, California

Opinion

We have audited the accompanying financial statements of Goodwill Industries of South Central California (the Organization) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023; 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, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2023, and the changes in 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 Opinion

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

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 within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally

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accepted in the United States of America 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 auditing standards generally accepted in the United States of America, 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.
- 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.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
October 18, 2024

GOODWILL INDUSTRIES OF
SOUTH CENTRAL CALIFORNIA
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023
(WITH 2022 COMPARABLE TOTALS)

	2023	2022
ASSETS		
Current assets		
Cash	$ 5,426,061	$ 5,503,576
Accounts receivable	364,696	217,224
Inventory held for sale	460,614	510,801
Prepaid expenses	55,229	12,024
Other assets	11,016	11,016
Total current assets	6,317,616	6,254,641
Property and equipment, net of accumulated depreciation and amortization	10,643,384	7,845,974
Deposits	148,499	148,499
TOTAL ASSETS	$ 17,109,499	$ 14,249,114
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 567,772	$ 576,751
Accrued expenses	800,476	699,694
Accrued interest	21,875	19,431
Lease liability, current portion	1,348,638	765,747
Notes payable, current portion	72,158	249,011
Total current liabilities	2,810,919	2,310,634
Long-term liabilities		
Deferred rent	80,364	80,364
Lease liability, net of current portion	4,322,406	2,857,037
Notes payable, net of current portion	2,970,755	2,857,345
Total long-term liabilities	7,373,525	5,794,746
Total liabilities	10,184,444	8,105,380
Net assets		
Without donor restrictions	6,925,055	6,143,734
Total net assets	6,925,055	6,143,734
TOTAL LIABILITIES AND NET ASSETS	$ 17,109,499	$ 14,249,114

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

GOODWILL INDUSTRIES OF
SOUTH CENTRAL CALIFORNIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023
(WITH 2022 COMPARABLE TOTALS)

	2023	2022
SUPPORT AND REVENUES		
Retail sales	$ 17,705,271	$ 17,571,233
Value of donated goods received	2,584,038	2,597,389
Employee retention credit (See Note 7)	1,401,457	-
Salvage sales	871,324	824,274
Vocational services	252,482	175,275
Cash contributions received	49,891	24,860
Miscellaneous income	1,130	-
Total support and revenues	22,865,593	21,193,031
EXPENSES		
Program services		
Donated goods - retail	17,272,180	16,784,052
Donated goods - salvage	1,785,934	1,473,943
Total donated goods	19,058,114	18,257,995
Vocational services	236,456	176,886
Total program services	19,294,570	18,434,881
Supporting services		
Management services	2,789,702	2,214,774
Total expenses	22,084,272	20,649,655
Change in net assets	781,321	543,376
Net assets, beginning of year	6,143,734	5,600,358
Net assets, end of year	$ 6,925,055	$ 6,143,734

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

GOODWILL INDUSTRIES OF SOUTH CENTRAL CALIFORNIA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

	Program Services				Supporting Services	
	Donated Goods Retail	Donated Goods Salvage	Vocational Services	Total Program Services	Management Services	Total Expenses
Salaries and related expenses:						
Salaries	$ 6,954,008	$ 839,537	$ 166,329	$ 7,959,874	$ 1,243,783	$ 9,203,657
Payroll taxes and worker's compensation	858,797	103,161	13,435	975,393	104,342	1,079,735
Employee benefits	488,035	66,565	18,602	573,202	47,696	620,898
Total salaries and related expenses	8,300,840	1,009,263	198,366	9,508,469	1,395,821	10,904,290
Other expenses:						
Value of donated goods sold	2,584,038	-	-	2,584,038	-	2,584,038
Occupancy	1,189,221	325,553	-	1,514,774	199,525	1,714,299
Cost of goods sold	1,166,404	-	-	1,166,404	35,281	1,201,685
Supplies	523,424	100,450	2,160	626,034	190,763	816,797
Vehicles and travel	236,953	181,908	26,216	445,077	34,180	479,257
Utilities	489,626	17,025	-	506,651	67,995	574,646
Professional fees and contract services	33,933	601	1,718	36,252	411,573	447,825
Bank fees	392,050	35	-	392,085	16,732	408,817
Equipment rental and maintenance	60,230	77,700	1,929	139,859	12,234	152,093
Telephone	107,753	3,598	2,995	114,346	49,143	163,489
Postage	320,240	1,303	-	321,543	15,183	336,726
Dues	33,870	872	-	34,742	126,392	161,134
Insurance	78,213	17,325	199	95,737	35,231	130,968
Interest expense	147,424	-	-	147,424	44,242	191,666
Other	61,132	49,945	2,519	113,596	(17,731)	95,865
Advertising and promotion	124,366	-	-	124,366	880	125,246
Printing and publications	19,533	356	-	19,889	3,429	23,318
Training	-	-	-	-	11,232	11,232
Conferences, conventions, and meetings	562	-	354	916	19,036	19,952
Food and beverage	1,750	-	-	1,750	-	1,750
Bad debts	65,414	-	-	65,414	-	65,414
Special assistance	-	-	-	-	54	54
Total expenses before depreciation and amortization	15,936,976	1,785,934	236,456	17,959,366	2,651,195	20,610,561
Depreciation and amortization expense	1,335,204	-	-	1,335,204	138,507	1,473,711
TOTAL FUNCTIONAL EXPENSES	$ 17,272,180	$ 1,785,934	$ 236,456	$ 19,294,570	$ 2,789,702	$ 22,084,272

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

GOODWILL INDUSTRIES OF
SOUTH CENTRAL CALIFORNIA
STATEMENT OF FUNCTIONAL EXPENSES
COMPARABLE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services				Supporting Services	
	Donated Goods Retail	Donated Goods Salvage	Vocational Services	Total Program Services	Management Services	Total Expenses
Salaries and related expenses:						
Salaries	$ 6,882,216	$ 911,502	$ 129,272	$ 7,922,990	$ 1,092,807	$ 9,015,797
Payroll taxes and worker's compensation	881,838	111,285	10,231	1,003,354	109,103	1,112,457
Employee benefits	448,291	71,130	14,234	533,655	45,022	578,677
Total salaries and related expenses	8,212,345	1,093,917	153,737	9,459,999	1,246,932	10,706,931
Other expenses:						
Value of donated goods sold	2,597,389	-	-	2,597,389	-	2,597,389
Occupancy	2,126,467	13,784	-	2,140,251	79,239	2,219,490
Cost of goods sold	1,576,278	-	-	1,576,278	-	1,576,278
Supplies	489,963	44,569	5,939	540,471	185,147	725,618
Vehicles and travel	248,376	193,815	8,894	451,085	15,221	466,306
Utilities	429,013	12,354	-	441,367	64,684	506,051
Professional fees and contract services	33,877	2,458	2,222	38,557	207,976	246,533
Bank fees	297,492	21	-	297,513	9,968	307,481
Equipment rental and maintenance	47,659	79,882	1,772	129,313	16,643	145,956
Telephone	84,244	3,733	2,291	90,268	26,313	116,581
Postage	243,554	622	332	244,508	18,786	263,294
Dues	2,190	-	-	2,190	120,767	122,957
Insurance	78,213	17,325	199	95,737	35,232	130,969
Interest expense	83,563	-	-	83,563	55,473	139,036
Other	(46,611)	-	1,500	(45,111)	-	(45,111)
Advertising and promotion	104,625	-	-	104,625	233	104,858
Printing and publications	(1,283)	257	-	(1,026)	3,751	2,725
Training	-	11,206	-	11,206	3,396	14,602
Conferences, conventions, and meetings	-	-	-	-	20,582	20,582
Special assistance	-	-	-	-	1,680	1,680
Total expenses before depreciation and amortization	16,607,354	1,473,943	176,886	18,258,183	2,112,023	20,370,206
Depreciation and amortization expense	176,698	-	-	176,698	102,751	279,449
TOTAL FUNCTIONAL EXPENSES	$ 16,784,052	$ 1,473,943	$ 176,886	$ 18,434,881	$ 2,214,774	$ 20,649,655

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

GOODWILL INDUSTRIES OF
SOUTH CENTRAL CALIFORNIA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023
(WITH 2022 COMPARABLE TOTALS)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 781,321	$ 543,376
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,473,711	279,449
Amortization of debt issuance cost	7,897	2,628
(Increase) decrease in operating assets:		
Accounts receivable	(147,472)	(52,326)
Inventory held for sale	50,187	(88,826)
Prepaid expenses	(43,205)	(6,686)
Increase (decrease) in operating liabilities:		
Accounts payable	(8,979)	(55,293)
Accrued expenses	100,782	111,981
Accrued interest	2,444	(712)
Net cash provided by operating activities	2,216,686	733,591
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(2,222,861)	(247,579)
Net cash used by investing activities	(2,222,861)	(247,579)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on notes payable	(71,340)	(211,925)
Net cash used by financing activities	(71,340)	(211,925)
Net (decrease) increase in cash	(77,515)	274,087
Cash, beginning of year	5,503,576	5,229,489
Cash, end of year	$ 5,426,061	$ 5,503,576

SUPPLEMENTAL DISCLOSURES ON CASH FLOW INFORMATION:

	2023	2022
Cash paid during the year for interest	$ 135,408	$ 117,764

NONCASH FINANCING ACTIVITIES:

	2023	2022
Right of use asset	$ 2,048,260	$ 3,622,784
Lease liability	$ (2,048,260)	$ (3,622,784)

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

NOTE 1 – NATURE OF OPERATIONS

Goodwill Industries of South Central California (the Organization) was incorporated under the laws of the State of California on August 1, 1986, as a not-for-profit organization. The Organization is supported predominantly through sales of donated goods at 10 thrift stores, a salvage center, and online through shopgoodwill.com. The service area of the Organization encompasses Kern, Kings, and Southern Tulare counties. The Organization provides work opportunities and skills development to people with barriers to employment. The Organization is affiliated with Goodwill Industries International (GII) and accredited by the Commission on Accreditation of Rehabilitation Facilities (CARF).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Organization is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, who is responsible for their integrity and objectivity.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

The accompanying financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities - Presentation of Financial Statements*. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Restricted and Unrestricted Revenue and Support

The Organization follows FASB ASC 958-605, *Revenue Recognition*. In accordance with FASB ASC 958-605, contributions received are recorded as with donor restrictions or without donor restrictions, depending on the existence of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. Donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when 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 Statement of Activities as net assets released from restrictions. Other donor-restricted support is perpetual in nature, where the donor stipulates that resources must be maintained in perpetuity.

Use of 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. These estimates and assumptions 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> (Continued)

Accounts Receivable

The Organization considers accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Concentrations of Credit Risk

Financial instruments, which potentially subject the Organization to credit risk, consist primarily of cash and accounts receivable. The Organization maintains cash with major financial institutions. The Organization has maintained balances in excess of federally insured limits periodically throughout the years ended December 31, 2023 and 2022, in the amount of $4,999,931 and $5,160,871, respectively.

As of December 31, 2023 and 2022, the Organization had one customer with an uncollateralized accounts receivable balance in excess of 10% of total outstanding accounts receivable. The amount of this account balance is 52% and 66% of total accounts receivable as of December 31, 2023 and 2022, respectively. Accounts receivable as of December 31, 2023 and 2022, represent 1.8% and 1.2% of revenue, respectively.

The Organization obtained approximately 12% and 19% of total purchases from one vendor during the years ended December 31, 2023 and 2022, respectively.

Inventory

GII publishes guidelines for accounting, reporting, and disclosures. The guidelines can be used by local Goodwill Industry agencies to assist in compliance with industry practices and comparability of financial performance from agency to agency. Effective for fiscal years beginning January 1, 1996, GII has recommended that local agencies estimate the value of donated goods received and of donated goods on hand at the end of the year.

In estimating these values, the Organization uses a portion of the direct and indirect costs of production, transportation, support, and management, and general services in accordance with the guideline recommendations. The Organization uses the number of months that a typical item remains in inventory in estimating the value of inventories at year-end. The methodology used to value donated goods approximates fair value at the date of donation. Inventory also consists of goods purchased for resale.

Property, Equipment, and Depreciation

All acquisitions of property and equipment in excess of $5,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. As of December 31, 2023 and 2022, the Organization did not own any assets with donor restrictions.

Property and equipment are recorded at cost. Depreciation of property and equipment is computed on the straight-line method over the estimated useful lives of the assets as follows:

Assets	Useful Lives
Buildings and improvements	5 - 31 years
Equipment	5 - 15 years

NOTE 2 – <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> (Continued)

Property, Equipment, and Depreciation (Continued)

The cost of leasehold improvements is amortized using the straight-line method over the lesser period between the lease contract life and the useful life of the related leasehold improvement.

In accordance with FASB ASC Topic 360, *Property, Plant, and Equipment*, property and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, the impairment charge to be recognized is measured by the excess of the carrying amount over the fair value of the asset. Assets to be disposed of are reported at the lower of carrying amount or fair value, less cost to sell. There was no impairment recorded during the years ended December 31, 2023 and 2022.

Fair Value of Financial Instruments

Per FASB ASC Topic 820, *Fair Value Measurements and Disclosures* (ASC 820), certain financial instruments are carried at cost on the Statement of Financial Position, which approximates fair value due to their short-term, highly liquid nature. These instruments include cash, accounts receivable, prepaid expenses, accounts payable, and accrued expenses.

Retail and Salvage Revenues

The Organization's revenue is generated substantially from the sale of retail goods in the thrift stores, salvage goods, and retail goods online. Most of the Organization's contracts with customers consist of a performance obligation to transfer goods. Revenue is recognized in the amount the Organization expects to be entitled to receive from the customer, when a performance obligation is satisfied at a point in time by the transfer of control of promised goods to the customer. The price for the goods transferred is generally fixed.

For the majority of customers, control transfers at the point-in-time when goods are sold, typically at the point of sale in the thrift stores or salvage facilities. For online sales, control transfers at the time the goods are shipped. The Organization has elected to treat shipping expenses as activities to fulfill the promise to the customer.

Advertising and Promotion

Advertising and promotion costs are expensed when incurred and were $125,246 and $104,858 for the years ended December 31, 2023 and 2022, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and other activities are summarized on a functional basis in the Statement of Activities. It is the policy of the Organization to allocate the indirect expenses of administrative overhead and occupancy to certain programs based on combining equally their relative values of revenues and expenses. Accordingly, certain costs are allocated among the programs and supporting services benefited. Interest expense is directly allocated among the programs and among the functional expense items benefited by the asset underlying the debt for which the interest was incurred.

Tax Exempt Status

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC), and from California franchise and/or income taxes under Section 23701(d) of the Revenue and Taxation Code. FASB ASC Topic 740, *Income Taxes*, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on de-recognition, classification, interest and penalties, disclosure, and transition. Management believes that no such uncertain tax positions exist for the Organization at December 31, 2023 and 2022.

NOTE 3 – AVAILABLE RESOURCES AND LIQUIDITY

In May 2017, the Organization adopted a revised Operating Reserve Fund policy where the target minimum Operating Reserve Fund is equal to one month (approximately $1.3 million) of average operating costs and the optimal Operating Reserve Fund is equal to two months (approximately $2.6 million) of average operating costs. The goal is for the Organization to have between $1.3 million and $2.6 million in available liquid financial assets.

The Organization's financial assets available within one year of the Statement of Financial Position date for general expenditures as of December 31, 2023 and 2022, are as follows:

	2023	2022
Cash	$ 5,426,061	$ 5,503,576
Accounts receivable	364,696	217,224
Total financial assets available to meet cash needs for general expenditures within one year	$ 5,790,757	$ 5,720,800

Since the adoption of the revised policy, available liquid financial assets were $5,790,757 and $5,720,800 at December 31, 2023 and 2022, respectively. The Organization's intention is to continue to build to the target reserve over the next several years. Over the next twelve months, the Organization anticipates collecting sufficient revenues to cover general expenditures, while increasing its available liquid financial assets. Refer to the Statement of Cash Flows which identifies the sources and uses of the Organization's cash and shows positive cash generated by operations for the years ended December 31, 2023 and 2022.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2023 and 2022, consist of the following:

	2023	2022
Building and improvements	$ 6,762,696	$ 6,217,284
Land	1,870,282	1,685,282
Equipment	2,103,407	1,714,391
Leasehold improvements	912,369	912,369
Right-of-use asset	5,623,414	3,622,784
Total cost	17,272,168	14,152,110
Accumulated depreciation and amortization	(6,628,784)	(6,306,136)
Property and equipment, net	$ 10,643,384	$ 7,845,974

Depreciation and amortization expense for the years ended December 31, 2023 and 2022, was $1,473,711 and $279,449, respectively.

NOTE 5 – NOTES PAYABLE

Notes payable as of December 31, 2023 and 2022, consist of the following:

	2023	2022
Note Payable - Wells Fargo Bank, payable in monthly installments of $13,425, including 4.40% interest, secured by real property, accounts receivable, inventory and equipment, due in November 2026. On March 31, 2023, the Organization refinanced Wells Fargo Bank loan with Citizens Business Bank. Payable in monthly installments of $17,005, including 6.00% interest, secured by real property, accounts receivable, inventory and equipment, due in April 3, 2033.	$ 2,587,106	$ 2,601,344
Note Payable - Jim Burke Ford, payable in monthly installments of $531, including 0% interest, secured by a vehicle, due in June 2025.	11,154	17,536
Note Payable - Jim Burke Ford, payable in monthly installments of $622, including 1.9% interest, secured by a vehicle, due in June 2027.	27,530	-
U.S. Small Business Administration Economic Injury Disaster Loan, payable in monthly installments of $2,136, including 2.75% interest, due April 2050.	435,751	498,207
Total notes payable	3,061,541	3,117,087
Less current portion	(72,158)	(249,011)
Less unamortized debt issuance costs	(18,628)	(10,731)
Non-current portion	$ 2,970,755	$ 2,857,345

Future scheduled maturities of the notes payable are as follows:

Year Ended December 31,	
2024	$ 72,158
2025	74,430
2026	73,311
2027	75,932
2028	73,295
Thereafter	2,692,415
	$ 3,061,541

The note payable to Citizens Business Bank is subject to certain financial and non-financial covenants, including requirements relating to liquidity. Management believes the Organization is in compliance with all covenants at December 31, 2023 and 2022.

NOTE 6 – LINE OF CREDIT

The Organization has a line of credit with Wells Fargo Bank, which expires on November 1, 2026. The maximum line of credit under the agreement is $1,000,000 and the outstanding balance was $0 and $0 as of December 31, 2023 and 2022, respectively. The line of credit is secured by real property, accounts receivable, inventory, and equipment. Interest is payable monthly at LIBOR plus 2.25%. The interest rate was 2.39% as of December 31, 2023 and 2022.

The line of credit with Wells Fargo Bank is subject to certain financial and non-financial covenants, including requirements relating to liquidity. Management believes they are in compliance with all covenants at December 31, 2023 and 2022.

NOTE 7 – EMPLOYEE RETENTION CREDIT (ERC)

The Organization applied for and received employee retention credit of $1,401,457 as provided under the Federal Coronavirus Aid, Relief, and Economic Security Act. The ERC is a refundable tax credit and is for eligible businesses and tax-exempt organizations that had employees and were affected during the COVID-19 pandemic.

NOTE 8 – LEASES

Facility Operating Leases

Commencing on March 10, 2005, the Organization entered into an 84-month lease agreement beginning in May 2005 for a retail store on Olive Drive in Bakersfield. On June 29, 2009, the lease was amended to adjust the base rent and extend the term of the lease until April 30, 2015. The Organization is required to pay property taxes, insurance, and common area expenses associated with the leased property. On January 28, 2015, the lease was extended for an additional 60-month term commencing on May 1, 2015, and ending April 30, 2020. On April 23, 2019, the lease was amended, extending the term for an additional 60 months commencing on May 1, 2020, and ending on April 30, 2025. The payments during this period range from $10,155 to $11,429, with current payments of $10,774 per month.

Commencing on November 4, 1998, the Organization entered into a 60-month lease agreement for the retail store on Oswell Street in Bakersfield. Subsequent amendments to the agreement had changed the monthly rent payments and extended the original term until August 31, 2013. On March, 28, 2013, the lease was extended for an additional 60-month term commencing on September 1, 2013, and ending August 31, 2018. On June 15, 2018, the lease was extended for an additional 12-month term with an option to renew for an additional year. The Organization has continued to exercise the extension in 2019 through August 31, 2020. On July 1, 2020, the lease was extended again for a 60-month term commencing on September 1, 2020, and ending on August 31, 2025. The payments during this term range from $11,584 to $12,111, with current payments of $12,111 per month.

Commencing on September 1, 2011, the Organization entered into a 60-month lease agreement for a retail store in Porterville. The monthly rent is exclusive of utilities, personal property tax, liability insurance, certain repairs and maintenance, and common area expenses. On February 22, 2016, the Porterville lease was renewed for an additional 60-month term commencing on February 10, 2016, and ending January 27, 2021. On January 28, 2021, the lease was extended for an additional 12-month term with an option to renew for an additional year. On February 1, 2023, the lease was extended for an additional 12-month term with an option to renew for an additional year, and the monthly rent payments is currently $8,077 per month. On February 1, 2024, the lease was extended for an additional 3-month term, and the monthly rent payment is $8,804 per month and moved to month to month terms after the 3-month term.

Commencing on May 1, 2013, the Organization entered into an 87-month lease agreement ending July 31, 2020, for a second retail store on Rosedale Highway (west of the other Rosedale location). On December 11, 2019, the lease was extended for an additional 36-month term commencing on August 1, 2020, and ending on July 31, 2023, with monthly payments ranging from $9,585 to $10,169, with current payments of $10,169 per month exclusive of utilities, personal property taxes, liability insurance, certain

NOTE 8 – LEASES (Continued)

Facility Operating Leases (Continued)

repairs and maintenance, and common area expenses. On August 1, 2023, the lease was extended for an additional 60-month term commencing on August 1, 2023, and ending on July 31, 2028, with monthly payments ranging from $10,169 to $11,186, with current payments of $10,169 per month.

Commencing on June 2, 2017, the Organization entered into a 123-month lease agreement ending September 30, 2027, for a retail store on Ming Avenue in Bakersfield. The monthly rent amounts range from $17,846 to $19,578, and is currently $19,578 per month exclusive of utilities, personal property tax, liability insurance, certain repairs and maintenance, and common area expenses.

Commencing on May 27, 2021, the Organization entered into a 126-month lease agreement ending November 31, 2031, for a retail store in Hanford. The monthly rent amounts range from $15,202 to $16,839 and is currently $15,202 per month.

Commencing on November 1, 2023, the Organization entered into a 60-month lease agreement ending November 1, 2027, for a retail store on 424 California Avenue, Bakersfield. The monthly rent amounts range from $34,000 to $39,775 and is currently $34,000 per month.

Commencing on November 1, 2022, the Organization entered into a 36-month lease agreement with Sagepointe, LLC for a salvage space on Ming Avenue and Ashe Road, Bakersfield. The monthly rent amounts range from $15,209 to $16,020 and is currently $15,209 per month.

The Organization recognizes a right-of-use (ROU) asset and a lease liability within its Statement of Financial Position for leases with terms greater than 12 months. ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation of the Organization to make lease payments arising from the lease. Some leases have an option to extend, which is included in the lease terms when it is reasonably certain that the Organization will exercise that option.

Operating leases are included in operating ROU assets-net, current operating lease liabilities and long-term lease liabilities in the Statement of Financial Position.

The adoption of the lease standard resulted in recognition of total ROU assets-net of $5,623,414 and $3,622,784 as of December 31, 2023 and 2022. Future minimum lease commitments under non-cancellable facility leases as of December 31, 2023 are as follows:

Year Ended December 31,	
2024	$ 1,348,638
2025	1,185,414
2026	968,111
2027	948,826
2028	662,953
Thereafter	557,102
	$ 5,671,044

NOTE 8 – LEASES (Continued)

Facility Operating Leases (Continued)

Additional information about the Organization's leases is as follows.

Cash paid for amounts included in measuring operating lease liabilities		
Operating cash flows paid for operating leases	$	1,163,949
Lease assets obtained in exchange for lease obligations	$	6,774,477
Weighted-average remaining lease term (years)		3
Weighted-average discount rate		1.5%

For the years ended December 31, 2023 and 2022, rental expense was $134,232 and $1,038,568, respectively.

Vehicle Operating Leases

The Organization entered into a master agreement and several subordinate operating leases for vehicles with various payments and terms. All operating leases for vehicles were paid off in the current year.

For the years ended December 31, 2023 and 2022, vehicle lease expenses were $281,180 and $277,591, respectively.

NOTE 9 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through October 18, 2024, the date that the financial statements were available to be issued.