

# **Boss Holdings, Inc. and Subsidiaries**

Consolidated Financial Statements  
December 31, 2022

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## Independent Auditor's Report

RSM US LLP

Board of Directors  
Boss Holdings, Inc. and Subsidiaries

### Opinion

We have audited the consolidated financial statements of Boss Holdings, Inc. and Subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2022 and December 25, 2021; the related consolidated statements of comprehensive income (loss), stockholders' equity and cash flows for the periods ended December 31, 2022, December 25, 2021 and December 26, 2020; and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and December 25, 2021, and the results of its operations and its cash flows for the periods ended December 31, 2022, December 25, 2021 and December 26, 2020, in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Company 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.

### 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 Company's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 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 Company'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 Company'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.

*RSM US LLP*

Davenport, Iowa  
April 14, 2023

## Boss Holdings, Inc. and Subsidiaries

### Consolidated Balance Sheets December 31, 2022 and December 25, 2021 (Dollars in Thousands, Except Per Share Data)

	2022	2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 14,513	\$ 32,981
Accounts receivable	4,507	6,449
Inventories	21,417	19,672
Prepaid expenses and other	1,258	996
Income tax receivable	209	463
Investment in debt securities, amortized cost	9,916	-
<b>Total current assets</b>	<b>51,820</b>	<b>60,561</b>
Property and equipment, net	2,549	2,719
Finance lease right of use assets, net	29	50
Operating lease right of use assets, net	3,574	1,063
Marketable equity securities	314	1,334
Deferred tax asset	2,185	1,230
Intangibles, net of accumulated amortization	495	307
Goodwill	3,288	2,853
	<b>\$ 64,254</b>	<b>\$ 70,117</b>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Current portion of operating lease liabilities	\$ 1,062	\$ 831
Current portion of finance lease liabilities	22	19
Accounts payable	2,802	5,488
Accrued payroll and related expenses	350	2,165
Other accrued liabilities	1,288	2,665
<b>Total current liabilities</b>	<b>5,524</b>	<b>11,168</b>
Noncurrent liabilities:		
Long-term operating lease liabilities	2,510	277
Long-term finance lease liabilities	10	33
Other long-term liabilities	193	7
<b>Total noncurrent liabilities</b>	<b>2,713</b>	<b>317</b>
Commitments and contingencies (Note 4)		
Stockholders' equity:		
Common stock, \$0.25 par value; authorized 10,000,000 shares; issued and outstanding 1,967,975 shares in 2022 and 1,986,296 in 2021	497	497
Treasury stock at cost, 18,321 shares	(425)	-
Additional paid-in capital	64,814	64,814
Accumulated (deficit)	(8,261)	(6,100)
Accumulated other comprehensive loss	(608)	(579)
<b>Total stockholders' equity</b>	<b>56,017</b>	<b>58,632</b>
	<b>\$ 64,254</b>	<b>\$ 70,117</b>

See notes to consolidated financial statements.

## Boss Holdings, Inc. and Subsidiaries

### Consolidated Statements of Comprehensive Income (Loss) Periods Ended December 31, 2022, December 25, 2021 and December 26, 2020 (Dollars in Thousands, Except Per Share Data)

	2022	2021	2020
Net sales	\$ 63,923	\$ 61,128	\$ 48,592
Cost of sales	<u>50,983</u>	<u>46,129</u>	<u>37,433</u>
<b>Gross profit</b>	<b>12,940</b>	<b>14,999</b>	<b>11,159</b>
Operating expenses	<u>15,930</u>	<u>16,499</u>	<u>14,756</u>
<b>Operating (loss)</b>	<b>(2,990)</b>	<b>(1,500)</b>	<b>(3,597)</b>
Other income (expenses):			
Interest income	282	5	57
Interest expense	(3)	(7)	(2)
Net gains (losses) on marketable equity securities	(1,019)	(473)	1,728
Gain on sale of investment—PIP Holdings	-	7,569	-
Other	<u>691</u>	<u>85</u>	<u>288</u>
	<u>(49)</u>	<u>7,179</u>	<u>2,071</u>
<b>Income (loss) from continuing operations before income tax expense (benefit)</b>	<b>(3,039)</b>	<b>5,679</b>	<b>(1,526)</b>
Income tax expense (benefit)	<u>(888)</u>	<u>897</u>	<u>(185)</u>
<b>Net income (loss) from continuing operations</b>	<b>(2,151)</b>	<b>4,782</b>	<b>(1,341)</b>
Discontinued operations (Note 13):			
Income (loss) from discontinued operations of Boss Manufacturing and Boss Canada ULC	(10)	22	(698)
Income tax expense (benefit)	-	5	(320)
<b>Net income (loss) from discontinued operations</b>	<u>(10)</u>	<u>17</u>	<u>(378)</u>
<b>Net income (loss)</b>	<b>(2,161)</b>	<b>4,799</b>	<b>(1,719)</b>
Other comprehensive income (loss), foreign currency translation adjustments	<u>(29)</u>	<u>40</u>	<u>(55)</u>
<b>Comprehensive income (loss)</b>	<b>\$ (2,190)</b>	<b>\$ 4,839</b>	<b>\$ (1,774)</b>
Basic earnings (loss) per common share:			
Continuing operations	\$ (1.07)	\$ 2.41	\$ (0.68)
Discontinued operations	(0.00)	0.01	(0.19)
<b>Basic earnings (loss) per common share</b>	<u>\$ (1.07)</u>	<u>\$ 2.42</u>	<u>\$ (0.87)</u>
Diluted earnings (loss) per common share:			
Continuing operations	\$ (1.06)	\$ 2.37	\$ (0.67)
Discontinued operations	(0.00)	0.01	(0.19)
<b>Diluted earnings (loss) per common share</b>	<u>\$ (1.06)</u>	<u>\$ 2.38</u>	<u>\$ (0.86)</u>

See notes to consolidated financial statements.

**Boss Holdings, Inc. and Subsidiaries**

**Consolidated Statements of Stockholders' Equity**

**Periods Ended December 31, 2022, December 25, 2021 and December 26, 2020**

**(Dollars and Shares In Thousands)**

	Common Stock		Treasury stock		Additional Paid-In Capital	Accumulated (Deficit)	Accumulated Other Comprehensive (Loss)	Total Stockholders' Equity
	Shares	Dollars	Shares	Dollars				
Balance, December 26, 2020	1,986	\$ 497	\$ -	\$ -	\$ 64,835	\$ (10,899)	\$ (619)	\$ 53,814
Exercise of stock options; 3 shares	3	1	-	-	38	-	-	39
Repurchase of 3 shares of common stock	(3)	(1)	-	-	(59)	-	-	(60)
Net income from continuing operations	-	-	-	-	-	4,782	-	4,782
Net income from discontinued operations	-	-	-	-	-	17	-	17
Other comprehensive income	-	-	-	-	-	-	40	40
Balance, December 25, 2021	1,986	497	-	-	64,814	(6,100)	(579)	58,632
Purchase of 18 shares of treasury stock	(18)	-	18	(425)	-	-	-	(425)
Net loss from continuing operations	-	-	-	-	-	(2,151)	-	(2,151)
Net loss from discontinued operations	-	-	-	-	-	(10)	-	(10)
Other comprehensive loss	-	-	-	-	-	-	(29)	(29)
<b>Balance, December 31, 2022</b>	<b>1,968</b>	<b>497</b>	<b>18</b>	<b>(425)</b>	<b>64,814</b>	<b>(8,261)</b>	<b>(608)</b>	<b>56,017</b>

See notes to consolidated financial statements.

## Boss Holdings, Inc. and Subsidiaries

### Consolidated Statements of Cash Flows

Periods Ended December 31, 2022, December 25, 2021 and December 26, 2020

(Dollars in Thousands)

	2022	2021	2020
Cash flows from operating activities:			
Continuing operations:			
Net income (loss) from continuing operations	\$ (2,151)	\$ 4,782	\$ (1,341)
Adjustments to reconcile net income (loss) from continuing operations to net cash used in continuing operations:			
Depreciation and amortization	1,751	1,899	2,369
(Gain) loss on disposition of property and equipment, net	-	3	(10)
(Gain) on sale of investment—PIP Holdings	-	(7,569)	-
(Gain) on sale of marketable equity securities	-	(12)	-
Share-based compensation and related tax benefits	-	-	34
Deferred tax expense (benefit)	(955)	1,284	(4,136)
Change in unrealized gains and losses on marketable equity securities	1,019	485	(1,728)
Changes in assets and liabilities net of acquisitions:			
(Increase) decrease in:			
Accounts receivable	1,942	(550)	662
Inventories	(1,516)	(4,663)	(222)
Prepaid expenses and other	(262)	(539)	(524)
Income tax receivable	-	(463)	-
Other assets	-	-	(17)
Increase (decrease) in:			
Operating lease liabilities	(840)	(855)	(985)
Accounts payable	(2,755)	2,486	851
Accrued liabilities	(2,938)	(1,923)	2,338
Other liabilities	186	7	-
<b>Net cash used in continuing operations</b>	<b>(6,519)</b>	<b>(5,628)</b>	<b>(2,709)</b>
Discontinued operations:			
Net income (loss) from discontinued operations	(10)	17	(378)
Adjustments to reconcile net income (loss) from discontinued operations to net cash used in discontinued operations:			
Loss on disposal of discontinued operations	-	-	298
(Gain) on disposition of property and equipment, net	-	-	(1)
Deferred tax expense	-	-	59
Changes in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	-	-	817
Prepaid expenses and other	-	10	89
Increase (decrease) in:			
Accounts payable	69	64	(1,721)
Accrued liabilities	-	(101)	(899)
<b>Net cash provided by (used in) discontinued operations</b>	<b>59</b>	<b>(10)</b>	<b>(1,736)</b>
<b>Net cash used in operating activities</b>	<b>\$ (6,460)</b>	<b>\$ (5,638)</b>	<b>\$ (4,445)</b>

(Continued)



**Boss Holdings, Inc. and Subsidiaries**

**Consolidated Statements of Cash Flows (Continued)**  
**Periods Ended December 31, 2022, December 25, 2021 and December 26, 2020**  
**(Dollars in Thousands)**

	2022	2021	2020
Cash flows from investing activities:			
Continuing operations:			
Purchases of intangible assets	\$ (149)	\$ (125)	\$ -
Purchases of property and equipment	(571)	(346)	(336)
Purchases of held-to-maturity securities	(9,915)	-	-
Proceeds from disposition of property and equipment	6	5	12
Proceeds from sale of marketable equity securities	-	78	-
Proceeds from sale of investment activity—PIP Holdings	-	17,569	-
Payments for business combinations	(904)	(370)	-
<b>Net cash provided by (used in) continuing operations</b>	<b>(11,533)</b>	<b>16,811</b>	<b>(324)</b>
<b>Net cash provided by discontinued operations, proceeds from disposition of property and equipment</b>	<b>-</b>	<b>-</b>	<b>1</b>
<b>Net cash provided by (used in) investing activities</b>	<b>(11,533)</b>	<b>16,811</b>	<b>(323)</b>
Cash flows from financing activities:			
Continuing operations:			
Repurchase of common stock	-	(60)	-
Purchase of treasury stock	(425)	-	-
Repayment of finance lease liabilities	(21)	(29)	(30)
Proceeds from exercise of stock options	-	39	-
<b>Net cash used in continuing operations</b>	<b>(446)</b>	<b>(50)</b>	<b>(30)</b>
<b>Net cash used in financing activities</b>	<b>(446)</b>	<b>(50)</b>	<b>(30)</b>
Effect of exchange rate changes on cash	(29)	40	(128)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(18,468)</b>	<b>11,163</b>	<b>(4,926)</b>
Cash and cash equivalents:			
Beginning	32,981	21,818	26,744
Ending	<b>\$ 14,513</b>	<b>\$ 32,981</b>	<b>\$ 21,818</b>

(Continued)

**Boss Holdings, Inc. and Subsidiaries**

**Consolidated Statements of Cash Flows (Continued)**

**Periods Ended December 31, 2022, December 25, 2021 and December 26, 2020**

**(Dollars in Thousands)**

	<b>2022</b>	2021	2020
Supplemental disclosures of cash flows information, cash payments for:			
Interest	<u>\$ 3</u>	<u>\$ 7</u>	<u>\$ 3</u>
Income taxes	<u>\$ 144</u>	<u>\$ 3,449</u>	<u>\$ 1,022</u>
Supplemental disclosure of noncash investing activities:			
Right of use assets in exchange for lease obligations	<u>\$ 3,304</u>	<u>\$ 292</u>	<u>\$ -</u>
Purchase of property and equipment in accounts payable	<u>\$ -</u>	<u>\$ 105</u>	<u>\$ -</u>

See notes to consolidated financial statements.

## Boss Holdings, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (Dollars in Thousands, Except Per Share Data)

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#### Note 1. Nature of Business and Significant Accounting Policies

**Nature of business:** Boss Holdings, Inc. and Subsidiaries (the Company) are engaged in the import, marketing and distribution of pet supplies and cell phone accessories, as well as custom imprinting of inflatable and other products for the advertising specialties industry. Customers, located throughout the world, include retailers ranging from convenience stores to mass merchandisers and various commercial users. The Company sells its products primarily through distributors and manufacturers' representatives and by direct marketing to consumers through an ecommerce website.

In December 2019, the Company sold certain assets and liabilities of its gloves, boots and rainwear segment and ceased conducting business in this segment (see Note 13).

#### Significant accounting policies:

**Principles of consolidation:** The accompanying consolidated financial statements (collectively, the financial statements) include the accounts of Boss Holdings, Inc. (BHI), and its wholly owned subsidiary, Boss Manufacturing Holdings, Inc. (BMHI) and subsidiaries comprised of Boss Manufacturing Company, Boss Tech Products, Inc., Galaxy Balloons, Inc., Boss Canada Holdings LLC and its subsidiary Boss Canada ULC, Boss Pet Products, Inc., and PetEdge LLC (collectively, the Company). All significant intercompany balances and transactions have been eliminated in the financial statements.

**Fiscal year:** The Company maintains a 52/53-week period ending on the last Saturday of the calendar year. Periods 2022, 2021 and 2020 contained 53, 52 and 52 weeks, respectively.

**Use of estimates in the preparation of financial statements:** 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**Cash and cash equivalents:** Cash and cash equivalents consist of cash on hand, time deposits and liquid debt instruments such as commercial paper with maturities of three months or less from the date of purchase.

**Restricted cash:** Restricted cash and cash equivalents consist of amounts held back from the asset purchase of the third-party handmade grooming bows producer, which are included in the line item cash and cash equivalents.

**Accounts receivable:** Accounts receivable are carried at the transaction price. Accounts receivable are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

An account is considered to be past due if any portion of the receivable balance is past due more than 30 days. The total provision for bad debts charged to expense, net of recoveries was \$280, \$182 and \$209 for the periods ended December 31, 2022, December 25, 2021 and December 26, 2020, respectively. The portion of the provision for bad debts charged to expense, net of recoveries, which is included in income from discontinued operations, was \$0, \$0 and \$1 for the periods ended December 31, 2022, December 25, 2021 and December 26, 2020, respectively.

## Boss Holdings, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (Dollars in Thousands, Except Per Share Data)

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#### Note 1. Nature of Business and Significant Accounting Policies (Continued)

**Revenue recognition:** The Company recognizes revenue from product sales when control of the products is transferred to its customers. Control is generally transferred when the Company has a present right to payment and the significant risks and rewards of ownership are transferred. For most of the Company's net sales, control transfers when products are shipped. The Company has elected to treat shipping and handling performed after control has transferred to customers as a fulfillment activity. Due to the nature of its business, contracts with customers are generally entered into for a period of less than one year.

Management records estimated reductions to revenue for various customer programs and incentive offerings in the pet supplies segment.

These programs include the following:

- *Rebates and other volume-based incentives*—The Company provides rebates and other volume-based incentives to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. The Company records a revenue reduction and associated accrued liability each period based on the estimated rebate total. Rebates paid then reduce the accrued liability. To estimate the variable consideration for the expected future rebates and incentives, the Company applies the expected value method for the contracts.
- *Terms discounts*—The Company offers cash discounts to certain customers, recorded as revenue reductions in each period with an associated accounts receivable allowance. To estimate the variable consideration for the expected future cash discounts, the Company applies the expected value method for the contracts.
- *Cooperative advertising and marketing allowances*—The Company supports certain customer advertising and marketing initiatives to promote product sales primarily at retail sites. This consideration payable to customers is determined on a per contract basis and recorded as a reduction of the transaction price.
- To a lesser extent, the Company occasionally utilizes additional incentives to increase market share such as buying back a competitor's inventory from a new customer, offering conversion allowances and providing other new customer incentives. Such methods are common in certain retail industry channels. This consideration payable to customers is determined on a per contract basis and recorded as a reduction of the transaction price upon the latter of (a) when revenue for the related products transferred to the customers is recognized or (b) when consideration is paid or promised to the customer.

As of December 31, 2022 and December 25, 2021, the Company's accrual for customer advertising and promotional activities totaled \$302 and \$405, respectively and is presented net within accounts receivable on the consolidated balance sheets. The Company has received no material allowances or credits from any vendors in connection with the purchase or promotion of such vendor's products.

The Company has elected to record revenue net of taxes collected from customers that are remitted to governmental authorities, with the collected taxes recorded within other current liabilities until remitted to the relevant government authority.

## Boss Holdings, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (Dollars in Thousands, Except Per Share Data)

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#### Note 1. Nature of Business and Significant Accounting Policies (Continued)

**Disaggregated revenue:** Net sales disaggregated by significant product segments for the respective periods were as follows:

	Periods Ended		
	December 31, 2022	December 25, 2021	December 26, 2020
Net sales from continuing operations:			
Pet supplies	\$ 49,542	\$ 48,978	\$ 39,137
Cell phone accessories, custom imprinting and promotional products	14,381	12,150	9,455
	<u>\$ 63,923</u>	<u>\$ 61,128</u>	<u>\$ 48,592</u>
Net services from discontinued operations, work gloves and protective wear	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 547</u>

**Cost of sales:** The Company's cost of sales includes all costs incident to purchasing goods for sale, transporting them from the supplier to Company facilities, warehousing and shipping goods to the customer. Such costs include product cost, inbound freight, duty, brokerage fees and storage costs as well as shipping and handling costs associated with outbound shipments to customers.

**Warranty costs and returns:** The Company provides for estimated warranty costs and returns at the time of sale. Accrued costs of assurance-type warranty obligations and returns are classified as accrued liabilities and are immaterial to the financial statements as a whole.

**Inventories:** Pet supplies and cell phone accessory inventories are valued using the weighted average method, while all other inventories are valued at the lower of cost or net realizable value using primarily the first-in, first-out (FIFO) method. The Company provides estimated inventory allowances for excess, slow moving and obsolete inventory whose carrying value is in excess of net realizable value. Inventories consist of finished goods for the periods presented.

**Marketable equity securities:** Management determines the appropriate classification of marketable securities at the time of purchase and reviews such designation as of each balance sheet date. Marketable equity securities are stated at fair value and realized and unrealized gains and losses are included in net income (loss) from continuing operations. The Company uses the specific identification method of computing realized gains and losses. Purchases and sales are recorded on the trade date. The Company's securities portfolio was in an unrealized loss position of approximately \$1,019 and \$485 as of December 31, 2022 and December 25, 2021, respectively.

**Investments:** Investments in debt securities that the Company has the positive intent and ability to hold to maturity are carried at amortized cost and classified as held-to-maturity. The investments in debt securities consist of treasury bills with maturity dates in 2023.

## Boss Holdings, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (Dollars in Thousands, Except Per Share Data)

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#### Note 1. Nature of Business and Significant Accounting Policies (Continued)

**Property and equipment and depreciation:** Property and equipment is recorded at historical cost, net of accumulated depreciation. Property and equipment acquired in business combinations are stated at fair value at the date of acquisition and are depreciated over their remaining useful lives. The Company provides for depreciation generally using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Machinery and equipment	7
Office furniture and equipment	3-7
Buildings and improvements	10-39

Total depreciation expense was \$770, \$837 and \$1,132 for the periods ended December 31, 2022, December 25, 2021 and December 26, 2020, respectively.

**Treasury shares:** Treasury shares are recognized at acquisition cost and are presented as a deduction from shareholders' equity.

**Business combination:** Identifiable assets acquired and liabilities assumed in a business combination are recorded at fair value at the acquisition date. Management estimates fair value based on assumptions they believe to be reasonable. These estimates are based on historical experience and information obtained from management of the acquired entities. Acquisition-related costs are expensed as operating expenses when incurred and when the related services have been received. Acquisition-related costs totaled approximately \$145, \$15 and \$0 for the periods ended December 31, 2022, December 25, 2021 and December 26, 2020, respectively.

**Other investment:** The Company held a noncontrolling interest in a privately owned company as of December 26, 2020. In accordance with Accounting Standards Update (ASU) 2016-01, this investment, which did not have a readily determinable fair value, was accounted for at cost, minus impairment, plus/minus changes resulting from observable price changes in orderly transactions of an identical or similar investment of the same issuer. During the period ended December 25, 2021, the privately owned company sold substantially all of its holdings resulting in proceeds of \$17,569 and a gain of \$7,569 for the Company.

**Goodwill and other intangibles:** Goodwill represents the excess of purchase price over the fair value of the identifiable net assets acquired. In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 350, goodwill is not amortized and, instead, is evaluated for impairment at least annually. The Company performs its impairment test in December each year. Other intangible assets are recorded at cost and amortized over their estimated useful lives (see Note 8).

Long-lived assets are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The estimated future cash flows are based upon, among other things, assumptions about expected future operating performance, and may differ from actual cash flows. If the sum of the projected undiscounted cash flows (excluding interest) is less than the carrying value of the assets, the assets will be written down to the estimated fair value in the period in which the determination is made.

## Boss Holdings, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (Dollars in Thousands, Except Per Share Data)

#### Note 1. Nature of Business and Significant Accounting Policies (Continued)

The cost and accumulated amortization of other intangible assets as of December 31, 2022 and December 25, 2021, are as follows:

	2022			
	Estimated Life (Years)	Cost	Accumulated Amortization	Net Book Value
Customer lists	5	\$ 742	\$ 547	\$ 195
Customer lists	2	580	580	-
Noncompete	5	61	37	24
Trademarks	5	261	116	145
Product certifications	5	624	493	131
		<u>\$ 2,268</u>	<u>\$ 1,773</u>	<u>\$ 495</u>

  

	2021			
	Estimated Life (Years)	Cost	Accumulated Amortization	Net Book Value
Customer lists	5	\$ 493	\$ 464	\$ 29
Customer lists	2	580	580	-
Noncompete	5	49	26	23
Trademarks	5	198	77	121
Product certifications	5	569	435	134
		<u>\$ 1,889</u>	<u>\$ 1,582</u>	<u>\$ 307</u>

Estimated future amortization of intangible assets is as follows:

Periods ending:	
December 30, 2023	\$ 138
December 28, 2024	122
December 27, 2025	109
December 26, 2026	88
December 25, 2027	38
	<u>\$ 495</u>

**Concentrations of credit risk:** The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash, cash equivalents and accounts receivable.

The Company places its cash and temporary cash investments with high credit quality financial institutions. The combined account balances at each institution periodically exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

## Boss Holdings, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (Dollars in Thousands, Except Per Share Data)

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#### Note 1. Nature of Business and Significant Accounting Policies (Continued)

The Company's management has established certain credit requirements that its customers must meet before sales credit is extended. The Company generally does not require collateral, but monitors the financial condition of its customers to help ensure collections and to minimize losses. Historically, the Company has not experienced significant losses related to accounts receivable from individual customers or from groups of customers in any geographic area.

**Foreign currency translation:** Financial statements of the Company's Canadian subsidiary are translated into U.S. dollars using fiscal year-end exchange rates for assets and liabilities, and average exchange rates during the year for the results of operations. Translation adjustments of the Canadian accounts are reported as a separate component of accumulated other comprehensive income (loss) within stockholders' equity. Exchange rate adjustments related to foreign currency transactions are recognized in the consolidated statements of comprehensive income (loss).

**Income taxes:** The Company accounts for income taxes using the asset and liability method. Under this method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates applied to taxable income. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company accounts for stock options using the tax-law-ordering approach, which recognizes an excess tax benefit when a stock option deduction is used on the Company's tax return, before a net operating loss (NOL) or another tax attribute. A valuation allowance is provided for deferred income tax assets when it is more likely than not that the asset will not be realized.

**Advertising costs:** The Company generally expenses the production costs of advertising the first-time advertising takes place. Costs of trade shows and developing advertising materials are expensed at the time of the trade shows or as the advertising materials are produced and distributed to customers. Total advertising expense for the periods ended December 31, 2022, December 25, 2021 and December 26, 2020, was \$1,623, \$1,067 and \$1,144, respectively. Advertising expense included in income from discontinued operations was \$0, \$0 and \$25 for the periods ended December 31, 2022, December 25, 2021 and December 26, 2020, respectively.

**Stock based compensation:** The Company calculates stock-based compensation by estimating the fair value of each option using the Black-Scholes option-pricing model. The Company's determination of fair value of share-based payment awards is made as of their respective dates of grant using that option-pricing model and is affected by the Company's stock price as well as a number of subjective assumptions. These variables include, but are not limited to, the Company's expected stock price volatility over the term of the awards and actual and projected employee stock option exercise behavior. The expected term of options granted is derived from historical data on employee exercises and post-vesting employment termination behavior. The risk-free rate selected to value any particular grant is based on the U.S. Treasury rate that corresponds to the pricing term of the grant effective as of the date of the grant. The expected volatility is based on the historical volatility of the Company's stock price. These factors, as they pertain to future grants, could change in the future, affecting the determination of stock-based compensation expense in future periods.

**Earnings per share:** Basic net earnings per common share are based upon the weighted average number of common shares outstanding during the period. Diluted net earnings per common share is based upon the weighted average number of common shares outstanding plus dilutive potential common shares, including options outstanding during the period.



## **Boss Holdings, Inc. and Subsidiaries**

### **Notes to Consolidated Financial Statements (Dollars in Thousands, Except Per Share Data)**

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#### **Note 1. Nature of Business and Significant Accounting Policies (Continued)**

**Subsequent events:** The Company has evaluated subsequent events through April 14, 2023, the date on which the financial statements were issued, in preparing the financial statements and notes thereto.

**New and pending accounting pronouncement:** In January 2017, the FASB issued ASU 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. The ASU simplifies the measurement of goodwill impairment by eliminating the requirement that an entity compute the implied fair value of goodwill based on the fair values of its assets and liabilities to measure impairment. Instead, goodwill impairment will be measured as the difference between the fair value of the reporting unit and the carrying value of the reporting unit. The ASU also clarifies the treatment of the income tax effect of tax-deductible goodwill when measuring goodwill impairment loss. ASU 2017-04, as amended by ASU 2019-10 will be effective for the Company for its fiscal year beginning on January 1, 2023. ASU 2017-04 must be applied prospectively with early adoption permitted. The Company is currently evaluating the impact of the adoption of this guidance on its financial statements.

#### **Note 2. Fair Value Measurements**

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. The fair value guidance issued by the FASB requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, the fair value guidance establishes a fair value hierarchy for valuation inputs that give the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

**Level 1:** Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

**Level 2:** Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

**Level 3:** Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

There have been no changes in valuation techniques for any assets or liabilities measured at fair value during the periods ended December 31, 2022, December 25, 2021 or December 26, 2020.

The Company's marketable equity securities are carried at fair value on a recurring basis based on quoted market prices and are classified as Level 1 within the fair value hierarchy.

The investments of the Company are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

## Boss Holdings, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (Dollars in Thousands, Except Per Share Data)

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#### Note 3. Property and Equipment

Property and equipment as of December 31, 2022 and December 25, 2021, is as follows:

	2022	2021
Land	\$ 426	\$ 426
Machinery and equipment	4,034	3,766
Buildings and improvements	2,904	2,835
Office furniture and equipment	7,187	6,979
Construction in progress	32	3
	<u>14,583</u>	<u>14,009</u>
Less accumulated depreciation	12,034	11,290
	<u>\$ 2,549</u>	<u>\$ 2,719</u>

#### Note 4. Commitments and Contingencies

**Licensing:** The Company has entered into license agreements for the use of certain trademarks in its products, which requires the payment of guaranteed or minimum royalties. The Company incurred total royalties of \$145, \$138 and \$65 in 2022, 2021 and 2020, respectively. The Company has extended certain agreements for the payment of royalties through 2023, with minimum obligations of \$61 in 2023.

**Litigation:** The Company is a party to various legal actions incident to the normal operation of its business. These lawsuits primarily involve claims for damages arising out of commercial disputes, all of which actions are being defended by one or more of the Company's products liability insurers. Management believes the ultimate disposition of these matters should not materially impact the Company's consolidated financial position, operations or liquidity.

#### Note 5. Stock Options

In 2015, the Company adopted an equity-based incentive program allowing future issuance of up to 200,000 shares of common stock utilizing stock options, stock appreciation rights, performance-based stock awards and restricted stock units. During 2019, the 2015 equity-based incentive program was amended to increase the maximum number of shares for issuance from 200,000 to 275,000 shares. As of December 25, 2022, 85,000 options remain outstanding and unexercised under the 2015 plan.

## Boss Holdings, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (Dollars in Thousands, Except Per Share Data)

#### Note 5. Stock Options (Continued)

50% of the options granted in 2019 vested immediately and the remaining portion vested six months after the grant date. Stock option transactions are summarized as follows:

	Periods Ended					
	December 31, 2022		December 25, 2021		December 26, 2020	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, beginning	85,000	\$ 15.75	95,000	\$ 15.75	95,000	\$ 15.75
Granted	-	-	-	-	-	-
Exercised	-	-	(2,500)	22.00	-	-
Expired	-	-	(7,500)	15.75	-	-
Outstanding, ending	<u>85,000</u>	15.75	<u>85,000</u>	15.75	<u>95,000</u>	15.75
Options exercisable, end of year	<u>85,000</u>	\$ -	<u>85,000</u>	\$ 15.75	<u>95,000</u>	\$ 15.75

#### Note 6. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share:

	Periods Ended		
	December 31, 2022	December 25, 2021	December 26, 2020
Numerator, earnings (loss) attributable to common stockholders:			
Continuing operations	\$ (2,151)	\$ 4,782	\$ (1,341)
Discontinued operations	(10)	17	(378)
Denominator:			
Basic-weighted average common shares outstanding	2,014,981	1,986,296	1,986,296
Dilutive effect of employee stock options	20,823	28,111	17,443
Diluted outstanding shares	<u>\$ 2,035,804</u>	<u>\$ 2,014,407</u>	<u>\$ 2,003,739</u>
Basic earnings (loss), per common share:			
Continuing operations	\$ (1.07)	\$ 2.41	\$ (0.68)
Discontinued operations	(0.00)	0.01	(0.19)
Basic earnings (loss), per common share	<u>\$ (1.07)</u>	<u>\$ 2.42</u>	<u>\$ (0.87)</u>
Diluted earnings (loss), per common share:			
Continuing operations	\$ (1.06)	\$ 2.37	\$ (0.67)
Discontinued operations	(0.00)	0.01	(0.19)
Diluted earnings (loss), per common share	<u>\$ (1.06)</u>	<u>\$ 2.38</u>	<u>\$ (0.86)</u>

## **Boss Holdings, Inc. and Subsidiaries**

### **Notes to Consolidated Financial Statements (Dollars in Thousands, Except Per Share Data)**

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#### **Note 7. Related Party Transactions**

During the periods ended December 31, 2022, December 25, 2021 and December 26, 2020, compensation, fees and expense reimbursements incurred and related to directors or their affiliates totaled \$1,410, \$2,292 and \$1,452, respectively.

#### **Note 8. Goodwill and Intangible Assets**

In connection with its purchase of Galaxy, the Company recorded goodwill of \$2,853. In July 2022 with the purchase of third-party handmade grooming bows producer, the Company recorded goodwill of \$435. Goodwill represents the excess of purchase price and related costs over the value assigned to the net tangible and identifiable intangible assets of the business acquired. The Company does not amortize the goodwill associated with an acquisition since it has an indefinite life. In July 2012, the FASB issued guidance to amend and simplify the rules related to testing indefinite-lived intangible assets, including goodwill, for impairment. The revised guidance permits an entity to first assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that the indefinite-lived intangible asset is impaired. If, after assessing the totality of events and circumstances, an entity concludes that it is unlikely that the indefinite-lived intangible asset is impaired, then the entity is not required to take further action. However, if an entity concludes otherwise, then it is required to determine the fair value of the indefinite-lived intangible asset and perform the quantitative impairment test by comparing the fair value with the carrying amount. The determination of the reporting unit is based on the Company's organizational structure and the financial information that is provided to and reviewed by the chief operating decision maker.

The Company's goodwill impairment evaluation as of December 31, 2022 and December 25, 2021, indicated that its goodwill was not impaired.

The Company's evaluation used significant assumptions including: expected future revenue and expense growth rates, cost of capital, discount rate and forecasted capital expenditures. The projections for the Company's goodwill impairment evaluation as of December 31, 2022, assume continued sales growth for Galaxy and stable income from operations. Assumptions and estimates about future cash flows and discount rates are complex and may be subjective. They can be affected by a variety of external and internal factors. Management believes the assumptions and estimates made in these evaluations were reasonable and appropriate; however, different assumptions and estimates could materially impact the projected earnings.

## Boss Holdings, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (Dollars in Thousands, Except Per Share Data)

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#### Note 9. Income Taxes

The Company records income taxes based on its consolidated tax return. Current and deferred federal and state tax expense (benefit) is as follows:

	Periods Ended		
	December 31, 2022	December 25, 2021	December 26, 2020
Continuing operations:			
Current income tax expense (benefit):			
Federal	\$ -	\$ -	\$ 3,471
State and local	67	(387)	480
	<u>67</u>	<u>(387)</u>	<u>3,951</u>
Deferred income tax expense (benefit):			
Federal	(707)	1,183	(3,318)
State and local	(248)	101	(818)
	<u>(955)</u>	<u>1,284</u>	<u>(4,136)</u>
Total income tax (benefit) for continuing operations	<u>\$ (888)</u>	<u>\$ 897</u>	<u>\$ (185)</u>
Discontinued operations:			
Current income tax expense (benefit):			
Federal	\$ -	\$ 5	\$ (343)
State and local	-	-	(36)
	<u>-</u>	<u>5</u>	<u>(379)</u>
Deferred income tax expense (benefit):			
Federal	-	-	45
State and local	-	-	14
	<u>-</u>	<u>-</u>	<u>59</u>
Total income tax expense (benefit) for discontinued operations	<u>\$ -</u>	<u>\$ 5</u>	<u>\$ (320)</u>

## Boss Holdings, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (Dollars in Thousands, Except Per Share Data)

#### Note 9. Income Taxes (Continued)

Income taxes recorded by the Company differ from the amounts computed by applying the statutory U.S. federal income tax rate to net earnings before income taxes. The following schedule reconciles income tax expense (benefit) at the statutory rate and the actual income tax expense (benefit) as reflected in the consolidated statements of comprehensive income (loss) for the respective periods:

	Periods Ended		
	December 31, 2022	December 25, 2021	December 26, 2020
Income tax expense (benefit) computed at the U.S. corporate tax rate	\$ (631)	\$ 1,196	\$ (468)
Adjustments attributable to:			
State income taxes, net of the federal benefit	(109)	(302)	(285)
Nondeductible expenses	-	8	5
Prior year federal tax assessment	-	-	204
Other	(148)	-	39
Total income tax expense (benefit)	\$ (888)	\$ 902	\$ (505)

The temporary differences result in the following net deferred tax assets as of December 31, 2022 and December 25, 2021:

	December 31, 2022	December 25, 2021
Deferred income tax assets:		
Accounts receivable	\$ 24	\$ 22
Accruals	-	4
Compensation related	97	326
Inventories	416	345
Intangibles	515	453
Investments	129	-
Net operating loss carryforward	1,121	455
Deferred income tax assets	2,302	1,605
Deferred income tax liabilities:		
Property and equipment	117	375
Deferred income tax liabilities	117	375
Net deferred income tax assets	\$ 2,185	\$ 1,230

The Company follows FASB guidance related to *Accounting for Uncertainty in Income Taxes*. This guidance clarifies the criteria that an individual tax position must satisfy some or all of the attributes of that position to be recognized in a company's financial statements. The guidance also prescribes a recognition threshold of more likely than not, and a measurement attribute for all tax positions taken or expected to be taken on a tax return, in order for those tax positions to be recognized in the financial statements. The application of this guidance had no impact on the Company's financial statements.

## **Boss Holdings, Inc. and Subsidiaries**

### **Notes to Consolidated Financial Statements (Dollars in Thousands, Except Per Share Data)**

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#### **Note 9. Income Taxes (Continued)**

During 2022, 2021 and 2020, there were no settlements with state taxing authorities. The Company recognizes interest and penalties related to income tax matters in the provision for income taxes. All unrecognized tax benefits, if recognized, would affect the effective tax rate. The liability for unrecognized tax benefits includes accrued interest for tax positions, which either do not meet the more likely than not recognition threshold or where the tax benefit is measured at an amount less than the tax benefit claimed or expected to be claimed on an income tax return.

#### **Note 10. Major Customer**

Management defines a material concentration as having sales that account for 10% or more of the Company's net sales. For the periods ended December 31, 2022, December 25, 2021 and December 26, 2020, there was no material concentration of sales to one customer.

#### **Note 11. Leases**

The Company accounts for leases under ASC 842, Leases. The Company determines if an arrangement contains a lease at its inception. The Company leases certain industry equipment and office and operating facilities. For leases with a term greater than 12 months, the Company records the related right-of-use assets and liabilities at the present value of lease payments over the term of the lease and classifies the lease as operating or financing. Lease payments are discounted using either the rate implicit in the lease (if readily determinable) or the Company's incremental borrowing rate for a similar lending arrangement. The Company combines lease and nonlease components into a single lease component for its real estate and equipment leases.

Certain leases include renewal, termination or purchase options. Under ASC Topic 842, the lease term at the lease commencement date is determined based on the noncancellable period for which the Company has the right to use the underlying asset, together with any periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option, and periods covered by an option to extend (or not to terminate) the lease in which the exercise of the option is controlled by the lessor. The Company considered a number of factors when evaluating whether the options in its lease contracts were reasonably certain of exercise, such as length of time before option exercise, expected value of the leased asset at the end of the initial term, importance of the lease to overall operations, costs to negotiate a new lease and any contractual or economic penalties.

Operating leases result in a straight-line lease expense, while finance leases result in a front-loaded expense pattern.

The Company subleases a portion of certain industry equipment and office and operating facilities to a third party. As of December 31, 2022, the Company recognized \$228 of income, which is included in other income.

The Company elected not to apply the recognition requirements of ASC 842 to short-term leases. The Company recognizes short-term lease payments on a straight-line basis over the lease term. The Company also elected the package of transition provisions available that allowed carryforward of the historical assessment of whether contracts are or contain leases, lease classification and initial direct costs.

## Boss Holdings, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (Dollars in Thousands, Except Per Share Data)

#### Note 11. Leases (Continued)

The amounts relating to the Company's lease costs included in the consolidated statements of comprehensive income (loss) for the periods ended December 31, 2022 and December 25, 2021, are as follows:

	December 31, 2022	December 25, 2021
Operating lease cost (A)	\$ 845	\$ 822
Finance lease cost:		
Amortization of right of use assets	21	29
Interest on lease obligations	4	5
	<u>\$ 870</u>	<u>\$ 856</u>

(A) Operating lease costs includes other short-term rental arrangements of approximately \$15 and \$17 for the periods ended December 31, 2022 and December 25, 2021, respectively.

Other information	December 31, 2022	December 25, 2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 830	\$ 875
Operating cash flows from finance leases	2	4
Financing cash flows from finance leases	21	29
Weighted-average remaining lease term—operating leases	3.1 years	1.2 years
Weighted-average remaining lease term—finance leases	1.6 years	2.5 years
Weighted-average remaining lease term—operating leases (lessor)	3.1 years	None
Weighted-average discount rate—operating leases (lessor)	6.7%	0.00%
Weighted-average discount rate—operating leases	6.7%	5.4%
Weighted-average discount rate—finance leases	5.4%	5.4%

The annual lease obligations at December 31, 2022, are as follows:

	Operating Leases	Finance Leases
Periods ending:		
December 30, 2023	\$ 1,221	\$ 21
December 28, 2024	1,270	12
December 27, 2025	1,256	-
December 26, 2026	159	-
Total undiscounted lease obligations	<u>3,906</u>	<u>33</u>
Less the amount representing interest	(334)	(1)
Net lease obligations	<u>\$ 3,572</u>	<u>\$ 32</u>



## Boss Holdings, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (Dollars in Thousands, Except Per Share Data)

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#### Note 11. Leases (Continued)

The future minimum lease payments to be received under operating leases as lessor as of December 31, 2022, are as follows:

	Operating Lease
Periods ending:	
December 30, 2023	\$ 487
December 28, 2024	551
December 27, 2025	573
December 26, 2026	48
Total undiscounted lease obligations	<u>1,659</u>
Less the amount representing interest	(155)
Net lease obligations	<u>\$ 1,504</u>

#### Note 12. Business Combinations

In July 2022, the Company acquired substantially all assets of a third-party handmade grooming bows producer in exchange for cash consideration of approximately \$904. The assets acquired at the acquisition date consisted of inventory of \$228, property and equipment of \$10, intangible assets of \$230 and goodwill of \$435.

#### Note 13. Discontinued Operations

In April 2014, the FASB issued ASU 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, which changed the criteria for reporting discontinued operations. Under ASU 2014-08, only disposals representing a strategic shift that has (or will have) a major effect on an entity's operations and financial results should be presented as discontinued operations.

On December 4, 2019, Boss Manufacturing Company and Boss Canada ULC sold certain of their operating assets relating to the gloves, boots and rainwear segment and transferred certain liabilities to third parties related under common ownership (Purchasers). As a result of the sale, the Company has presented any residual financial activity related to this segment as discontinued operations in the accompanying consolidated statements of comprehensive income.

In conjunction with the transactions described above, Boss Manufacturing Company and Boss Canada ULC entered into a transition services agreement with the Purchasers that resulted in a \$10 receivable due from the Purchasers and a \$82 payable due to the Purchasers as of December 26, 2020. The transition services agreement was not effective during the periods ended December 25, 2021 or December 31, 2022.

## Boss Holdings, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (Dollars in Thousands, Except Per Share Data)

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#### Note 13. Discontinued Operations (Continued)

Following is a reconciliation of the major line items constituting income (loss) from discontinued operations included in the accompanying consolidated statements of comprehensive income (loss):

	2022	2021	2020
Net sales	\$ -	\$ -	\$ -
Net services	-	-	547
	-	-	547
Cost of sales and services	-	-	408
Gross profit	-	-	139
Operating expenses	-	-	446
Operating income (loss)	-	-	(307)
Other income (expenses):			
Interest expense	-	-	(2)
Other	(10)	22	(91)
Gain (loss) on disposal of Boss Manufacturing and Boss Canada ULC	-	-	(298)
Income (loss) from discontinued operations	(10)	22	(698)
Income tax expense (benefit)	-	5	(320)
Income (loss) from discontinued operations, net of tax	\$ (10)	\$ 17	\$ (378)

#### Note 14. Treasury Stock

The Company's board of directors from time to time has authorized the repurchase of shares of the Company's common stock, in the open market or through negotiated transactions, at such times and at such prices as management may decide. In fiscal 2022, the Company acquired 18,321 shares of its common stock for \$425. In March 2023, the Company acquired 127,500 shares of its common stock for \$2,933.