



Goodwill Industries of Houston Board Meeting Conference Call Minutes April 29, 2021

Attending by phone due to COVID-19 social distancing practices: Craig Nunez – Chair, Richard Cain, Ann Deaton, Scott Doyle, John Duffie, Laura Gibson, Keith Kreuer, Virginia Li, Allene Lucas, Tommy Moore, Elexa Orange-Allen, Coleman Rowland, Sandy Scott, Jim Vanderhider, Barbara Vilutis, and Steve Lufburrow. Also attending were Bob Dugas, Christopher Holman, Barbie Parker, Teri Ramsey, Bob Woods, Alma Ybarra, and Laura Gallegos.

Craig Nunez started the meeting at 11:30 a.m. and thanked the Board for attending. Bob Dugas offered the Invocation for the meeting.

The Board then reviewed the December 2020 meeting minutes. Sandy Scott motioned to approve. Elexa Orange-Allen seconded the motion. The minutes were approved unanimously.

Steve Lufburrow updated the Board on what has been happening at Goodwill Houston. He began by thanking the Board committees for all their contributions behind the scenes. He then discussed the City Centre Connect Open House /Grand Opening tour. A mix of board members and trustees attended the event. It was a success thanks to the hard work of many teams working in conjunction that made the day possible. He gave a special thank you to board member Jim Smith as the property owner for allowing our Goodwill to use the expanded space as well as for his connection to Edd and Nina Hendee, owners of Taste of Texas, who treated the attendees to lunch at their establishment.

Since the last Board meeting, Goodwill Houston welcomed its new Vice President of Donated Goods Retail, Mr. Christopher Holman. Steve thanked Bob Dugas for conducting a thorough search. Steve then asked Christopher to introduce himself.

Steve and the leadership team have been closely monitoring how and when to safely reopen the corporate office and Job Connection Centers. The team is paying special attention to vaccination rates and encouraging employees and leadership to be vaccinated. Steve is communication both with Craig and an attorney about safely reopening. He anticipates that the corporate office and Job Connection Centers will reopen in the third or fourth quarter of 2021.

The leadership team has been working on more details plans on how to best utilize the MacKenzie Scott gift. He shared the current Strategy to Execution timeline. The next step is to draft the initial plan for execution to share at the June Board meeting. While leadership had hoped to have more details at this meeting, they were delayed due to the pre-CARF assessment for accreditation, the annual financial audit, and the search for the new Vice President.

Bob Woods presented the CFO report/financial update. Bob reviewed the balance sheet, income statements, and core metrics. The balance sheet very strong.

To date, \$3 million has been contributed to the Foundation from Operations. In 2020, the Foundation transferred \$4.5 million in funds to Goodwill Houston to survive the pandemic. While this was not a loan, Goodwill Houston is replenishing the funds as quickly as possible in 2021. Bob expects that the entire \$4.5 million will be returned to the Foundation by the end of the second quarter.

Store revenues and total revenues are exceeding budget on the monthly income statement. He discussed the variety of reasons contributing to the excellent bottom line. The year-to-date income statement shows a 2% deficiency on budgeted revenue verses actual revenue. Bob believes this is due to Winter Storm Uri in February resulting in a \$1.2 million loss in sales. All signs indicate that April will close the year-to-date gap between actual revenue and budgeted revenue.

Expenses have been lower since the beginning of COVID, and management is reviewing the necessity of the open positions. Historically, increasing our labor force has positively impacted the bottom line, and the current sentiment is to continue to grow our labor force. The lower expenses are reflected in the expense to revenue ratio which was 76.9% year-to-date and 66% for the month of March.

The standard core metrics are all in compliance. The trend for 2021 is that Goodwill Houston is exceeding budget on revenue and sales.

The committee discussed the increase in salvage sales. The change in our model to include outlet centers and hubs has increased the price per pound Goodwill Houston receives for its salvaged donations. Goods are now sorted to maximize yield which also increases the value of salvaged goods. We have been able to utilize multiple vendors and sell the goods more quickly. Getting materials out to vendors faster. Leadership also believes that the benefits of our current real estate maximization process will continue to increase revenue.

Scott Doyle reported on the recent annual financial audit. The Audit committee met on Tuesday, April 27. The resulting report demonstrated a clean audit with an unmodified opinion. Management was complimented by ABIP for ease of work. 2020 was difficult year including a vice president transition, closed stores, pandemic, and

many other items, but Goodwill Houston still received a clean audit. Also, Mike Palmer of ABIP is transitioning to retirement and has passed the audit to Eric Huddleston. Scott pointed out that changing auditors on a regular basis is a good governance practice.

Bob Dugas presented the COO update on retail and workforce. He welcomed Christopher Holman to the team. Bob shared some details about Christopher's onboarding process and how he is working in all positions of at both retail locations and attended donation centers to gain understanding and find ways to improve.

Donated Goods Retail remains focused on the plan set out in 2019 to maximize, reposition and repurpose real estate. Four stores have been converted to outlets and aftermarket hubs. The team has closed 7 underperforming stores and many attended donation centers. Comparing the results of 2019 to 2021 rates shows an increase in donors and average store sales. The creation of the outlets and hubs has freed up space in back rooms that can now be converted to increased sales floor space.

Bob shared details of the City Centre Goodwill Connect Grand Opening tour. This location expanded from 10,000 square feet to 28,000. At no point during the construction was this location closed. The grand opening event resulted in 350 shoppers who were connected to Goodwill services. Members discussed the grand opening tour and its positive response.

Craig then asked for reports from active committees.

Business Advisory Council (BAC) Liaison: Elexa Orrange-Allen shared an update on Workforce Development. As of March, almost 2,000 people have been served and 600 people have been placed. The Workforce team is focused on community mission integration and building partnerships. This year, the team has generated 230 new and/or increased levels of partnerships. For example, Goodwill Houston's partnership with the United Way has increased from a Tier 1 to Tier 4 agreement. Elexa shared details of the programs and their results. The BAC also conducted 153 shopper surveys at the League City store which will be used to evaluate the surrounding real estate market and real estate decisions.

Nominating Committee: Virginia Li updated the Board on work being done. There are three open positions on the board available in June as members rotate off the board. She presented two candidates to Board for consideration.

Gil Beer (nominated by Ann Deaton) has been an Executive Director at US Capital Advisors for 10 years since company started. He met with Steve last week for an introduction to Goodwill. Gill has expressed interest in pursuing position as Board Member. He is a graduate of Texas A&M with 20 years' experience in wealth management advising top corporate executives. He has served on other boards and is aware of the commitment associated with being a member of the board.

David Hanson (nominated by the Committee) is the Managing Director of Sovereign Wealth Advisors. He is a proven Goodwill volunteer working with us for the last seven years. He has served as the Vice Chair of the Board of Trustees and is the current Trustee Board chair. He graduated from University of Texas and is a Navy veteran. David is not aware of his nomination, but the committee believes he will be pleased to serve if elected.

The Board discussed the candidates.

The Committee motioned to approve candidates. Sandy Scott seconded the motion. The Board voted unanimously to approve the candidates.

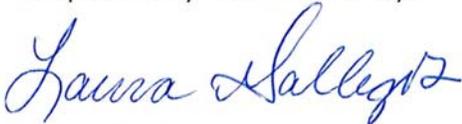
Steve will meet with both candidates to let them know of their election to the Board. He hopes both will be able to attend the June Board meeting. Onboarding for Board members will occur prior to June meeting.

Compensation Committee: Sandy Scott reported. The committee met with Steve Sullivan of Pearl Meyer who provides compensation data. She shared the report he provided on current labor market trends in succession planning, leadership skills, and business continuity. They discussed the pros and cons of the shift to work from home. They anticipate that a hybrid of working from home and in person will be adopted and will require a humanistic approach to leadership. The committee will meet with Steve again in fourth quarter prior to determining compensation.

Craig then asked Barbie Parker to update the Board on the first ever virtual Gala. The virtual Gala will be held on May 13th for one hour. Currently, the Gala has raised \$51,000 and is still seeking event sponsors. An event link will be sent out next week, again one day before the event, and a final reminder on the day of the event. Barbie encouraged the Board to attend and invite their friends and family to join. There will be a silent auction during the event. If anyone has questions, they should contact Barbie for more details.

There was no other business to discuss. The Board entered closed session at 12:30 p.m., and Goodwill Houston employees left the meeting.

Respectfully submitted by,



Laura Gallegos
Executive Assistant to the President/CEO