

<p style="text-align: center;"><b>Form 5500</b></p> <p style="font-size: small;">Department of the Treasury Internal Revenue Service</p> <hr/> <p style="font-size: small;">Department of Labor Employee Benefits Security Administration</p> <hr/> <p style="font-size: x-small;">Pension Benefit Guaranty Corporation</p>	<p><b>Annual Return/Report of Employee Benefit Plan</b></p> <p style="font-size: small;">This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6057(b) and 6058(a) of the Internal Revenue Code (the Code).</p> <p>▶ <b>Complete all entries in accordance with the instructions to the Form 5500.</b></p>	<p style="font-size: x-small;">OMB Nos. 1210-0110 1210-0089</p> <hr/> <p style="font-size: large; font-weight: bold;">2023</p> <hr/> <p style="font-weight: bold;">This Form is Open to Public Inspection</p>
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**Part I Annual Report Identification Information**  
 For calendar plan year 2023 or fiscal plan year beginning 01/01/2023 and ending 12/31/2023

**A** This return/report is for:  a multiemployer plan  a multiple-employer plan (Filers checking this box must provide participating employer information in accordance with the form instructions.)

a single-employer plan  a DFE (specify) \_\_\_\_\_

**B** This return/report is:  the first return/report  the final return/report

an amended return/report  a short plan year return/report (less than 12 months)

**C** If the plan is a collectively-bargained plan, check here. . . . . ▶

**D** Check box if filing under:  Form 5558  automatic extension  the DFVC program

special extension (enter description)

**E** If this is a retroactively adopted plan permitted by SECURE Act section 201, check here. . . . . ▶

**Part II Basic Plan Information—enter all requested information**

<p><b>1a</b> Name of plan <u>MACPHERSON'S EMPLOYEE STOCK OWNERSHIP PLAN</u></p>	<p><b>1b</b> Three-digit plan number (PN) ▶ <u>002</u></p>
<p><b>2a</b> Plan sponsor's name (employer, if for a single-employer plan) Mailing address (include room, apt., suite no. and street, or P.O. Box) City or town, state or province, country, and ZIP or foreign postal code (if foreign, see instructions) <u>ART SUPPLY ENTERPRISES, INC.</u></p> <p><u>2935 SHAWNEE INDUSTRIAL WAY</u> <u>SUITE 100</u> <u>SUWANEE, GA 30024</u></p>	<p><b>1c</b> Effective date of plan <u>01/01/2010</u></p> <p><b>2b</b> Employer Identification Number (EIN) <u>94-1152693</u></p> <p><b>2c</b> Plan Sponsor's telephone number <u>510-768-1089</u></p> <p><b>2d</b> Business code (see instructions) <u>424990</u></p>

**Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.**

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

<b>SIGN HERE</b>	Filed with authorized/valid electronic signature.	10/14/2024	MOLLY JOHNSTON
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
<b>SIGN HERE</b>	Filed with authorized/valid electronic signature.	10/14/2024	MOLLY JOHNSTON
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
<b>SIGN HERE</b>			
	Signature of DFE	Date	Enter name of individual signing as DFE

<b>3a</b> Plan administrator's name and address <input checked="" type="checkbox"/> Same as Plan Sponsor	<b>3b</b> Administrator's EIN	
	<b>3c</b> Administrator's telephone number	
<b>4</b> If the name and/or EIN of the plan sponsor or the plan name has changed since the last return/report filed for this plan, enter the plan sponsor's name, EIN, the plan name and the plan number from the last return/report: <b>a</b> Sponsor's name <b>c</b> Plan Name	<b>4b</b> EIN	
	<b>4d</b> PN	
<b>5</b> Total number of participants at the beginning of the plan year	<b>5</b>	264
<b>6</b> Number of participants as of the end of the plan year unless otherwise stated (welfare plans complete only lines <b>6a(1)</b> , <b>6a(2)</b> , <b>6b</b> , <b>6c</b> , and <b>6d</b> ). <b>a(1)</b> Total number of active participants at the beginning of the plan year ..... <b>a(2)</b> Total number of active participants at the end of the plan year ..... <b>b</b> Retired or separated participants receiving benefits ..... <b>c</b> Other retired or separated participants entitled to future benefits ..... <b>d</b> Subtotal. Add lines <b>6a(2)</b> , <b>6b</b> , and <b>6c</b> . ..... <b>e</b> Deceased participants whose beneficiaries are receiving or are entitled to receive benefits ..... <b>f</b> Total. Add lines <b>6d</b> and <b>6e</b> . ..... <b>g(1)</b> Number of participants with account balances as of the beginning of the plan year (only defined contribution plans complete this item) ..... <b>g(2)</b> Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item) ..... <b>h</b> Number of participants who terminated employment during the plan year with accrued benefits that were less than 100% vested.....	<b>6a(1)</b>	143
	<b>6a(2)</b>	141
	<b>6b</b>	14
	<b>6c</b>	117
	<b>6d</b>	272
	<b>6e</b>	1
	<b>6f</b>	273
	<b>6g(1)</b>	253
<b>6g(2)</b>	273	
<b>6h</b>	9	
<b>7</b> Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item).....	<b>7</b>	

**8a** If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristics Codes in the instructions:  
 2E 2F 2I 2P 2Q 3I

**b** If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristics Codes in the instructions:

<b>9a</b> Plan funding arrangement (check all that apply)	<b>9b</b> Plan benefit arrangement (check all that apply)
(1) <input type="checkbox"/> Insurance	(1) <input type="checkbox"/> Insurance
(2) <input type="checkbox"/> Code section 412(e)(3) insurance contracts	(2) <input type="checkbox"/> Code section 412(e)(3) insurance contracts
(3) <input checked="" type="checkbox"/> Trust	(3) <input checked="" type="checkbox"/> Trust
(4) <input type="checkbox"/> General assets of the sponsor	(4) <input type="checkbox"/> General assets of the sponsor

**10** Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)

<b>a Pension Schedules</b>	<b>b General Schedules</b>
(1) <input checked="" type="checkbox"/> <b>R</b> (Retirement Plan Information)	(1) <input checked="" type="checkbox"/> <b>H</b> (Financial Information)
(2) <input type="checkbox"/> <b>MB</b> (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary	(2) <input type="checkbox"/> <b>I</b> (Financial Information – Small Plan)
(3) <input type="checkbox"/> <b>SB</b> (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary	(3) <input type="checkbox"/> <b>A</b> (Insurance Information) – Number Attached _____
(4) <input type="checkbox"/> <b>DCG</b> (Individual Plan Information) – Number Attached <u>0</u>	(4) <input checked="" type="checkbox"/> <b>C</b> (Service Provider Information)
(5) <input type="checkbox"/> <b>MEP</b> (Multiple-Employer Retirement Plan Information)	(5) <input type="checkbox"/> <b>D</b> (DFE/Participating Plan Information)
	(6) <input type="checkbox"/> <b>G</b> (Financial Transaction Schedules)

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**Part III Form M-1 Compliance Information (to be completed by welfare benefit plans)**

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**11a** If the plan provides welfare benefits, was the plan subject to the Form M-1 filing requirements during the plan year? (See instructions and 29 CFR 2520.101-2.) .....  Yes  No

If "Yes" is checked, complete lines 11b and 11c.

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**11b** Is the plan currently in compliance with the Form M-1 filing requirements? (See instructions and 29 CFR 2520.101-2.) .....  Yes  No

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**11c** Enter the Receipt Confirmation Code for the 2023 Form M-1 annual report. If the plan was not required to file the 2023 Form M-1 annual report, enter the Receipt Confirmation Code for the most recent Form M-1 that was required to be filed under the Form M-1 filing requirements. (Failure to enter a valid Receipt Confirmation Code will subject the Form 5500 filing to rejection as incomplete.)

Receipt Confirmation Code \_\_\_\_\_

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<b>SCHEDULE C</b> <b>(Form 5500)</b>  <small>Department of the Treasury Internal Revenue Service</small>  <small>Department of Labor Employee Benefits Security Administration</small>  <small>Pension Benefit Guaranty Corporation</small>	<b>Service Provider Information</b>  This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA).  <b>▶ File as an attachment to Form 5500.</b>	<small>OMB No. 1210-0110</small>  <b>2023</b>  <b>This Form is Open to Public Inspection.</b>
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For calendar plan year 2023 or fiscal plan year beginning **01/01/2023** and ending **12/31/2023**

<b>A</b> Name of plan <b>MACPHERSON'S EMPLOYEE STOCK OWNERSHIP PLAN</b>	<b>B</b> Three-digit plan number (PN) ▶	<b>002</b>
<b>C</b> Plan sponsor's name as shown on line 2a of Form 5500 <b>ART SUPPLY ENTERPRISES, INC.</b>	<b>D</b> Employer Identification Number (EIN) <b>94-1152693</b>	

**Part I Service Provider Information (see instructions)**

You must complete this Part, in accordance with the instructions, to report the information required for **each person** who received, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of monetary value) in connection with services rendered to the plan or the person's position with the plan during the plan year. If a person received **only** eligible indirect compensation for which the plan received the required disclosures, you are required to answer line 1 but are not required to include that person when completing the remainder of this Part.

**1 Information on Persons Receiving Only Eligible Indirect Compensation**

**a** Check "Yes" or "No" to indicate whether you are excluding a person from the remainder of this Part because they received only eligible indirect compensation for which the plan received the required disclosures (see instructions for definitions and conditions).....  Yes  No

**b** If you answered line 1a "Yes," enter the name and EIN or address of each person providing the required disclosures for the service providers who received only eligible indirect compensation. Complete as many entries as needed (see instructions).

**(b)** Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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**(b)** Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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**2. Information on Other Service Providers Receiving Direct or Indirect Compensation.** Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

<b>(b)</b> Service Code(s)	<b>(c)</b> Relationship to employer, employee organization, or person known to be a party-in-interest	<b>(d)</b> Enter direct compensation paid by the plan. If none, enter -0-.	<b>(e)</b> Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	<b>(f)</b> Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	<b>(g)</b> Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	<b>(h)</b> Did the service provider give you a formula instead of an amount or estimated amount?
			Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>		Yes <input type="checkbox"/> No <input type="checkbox"/>

(a) Enter name and EIN or address (see instructions)

<b>(b)</b> Service Code(s)	<b>(c)</b> Relationship to employer, employee organization, or person known to be a party-in-interest	<b>(d)</b> Enter direct compensation paid by the plan. If none, enter -0-.	<b>(e)</b> Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	<b>(f)</b> Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	<b>(g)</b> Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	<b>(h)</b> Did the service provider give you a formula instead of an amount or estimated amount?
			Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>		Yes <input type="checkbox"/> No <input type="checkbox"/>

(a) Enter name and EIN or address (see instructions)

<b>(b)</b> Service Code(s)	<b>(c)</b> Relationship to employer, employee organization, or person known to be a party-in-interest	<b>(d)</b> Enter direct compensation paid by the plan. If none, enter -0-.	<b>(e)</b> Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	<b>(f)</b> Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	<b>(g)</b> Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	<b>(h)</b> Did the service provider give you a formula instead of an amount or estimated amount?
			Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>		Yes <input type="checkbox"/> No <input type="checkbox"/>

**Part I Service Provider Information (continued)**

3. If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

<b>(a)</b> Enter service provider name as it appears on line 2	<b>(b)</b> Service Codes (see instructions)	<b>(c)</b> Enter amount of indirect compensation
<b>(d)</b> Enter name and EIN (address) of source of indirect compensation	<b>(e)</b> Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
<b>(a)</b> Enter service provider name as it appears on line 2	<b>(b)</b> Service Codes (see instructions)	<b>(c)</b> Enter amount of indirect compensation
<b>(d)</b> Enter name and EIN (address) of source of indirect compensation	<b>(e)</b> Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
<b>(a)</b> Enter service provider name as it appears on line 2	<b>(b)</b> Service Codes (see instructions)	<b>(c)</b> Enter amount of indirect compensation
<b>(d)</b> Enter name and EIN (address) of source of indirect compensation	<b>(e)</b> Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	

**Part II Service Providers Who Fail or Refuse to Provide Information**

**4** Provide, to the extent possible, the following information for each service provider who failed or refused to provide the information necessary to complete this Schedule.

<b>(a)</b> Enter name and EIN or address of service provider (see instructions)	<b>(b)</b> Nature of Service Code(s)	<b>(c)</b> Describe the information that the service provider failed or refused to provide

<b>(a)</b> Enter name and EIN or address of service provider (see instructions)	<b>(b)</b> Nature of Service Code(s)	<b>(c)</b> Describe the information that the service provider failed or refused to provide

<b>(a)</b> Enter name and EIN or address of service provider (see instructions)	<b>(b)</b> Nature of Service Code(s)	<b>(c)</b> Describe the information that the service provider failed or refused to provide

<b>(a)</b> Enter name and EIN or address of service provider (see instructions)	<b>(b)</b> Nature of Service Code(s)	<b>(c)</b> Describe the information that the service provider failed or refused to provide

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<b>(a)</b> Enter name and EIN or address of service provider (see instructions)	<b>(b)</b> Nature of Service Code(s)	<b>(c)</b> Describe the information that the service provider failed or refused to provide

**Part III Termination Information on Accountants and Enrolled Actuaries (see instructions)**  
 (complete as many entries as needed)

<b>a</b> Name:	<b>b</b> EIN:
<b>c</b> Position:	
<b>d</b> Address:	<b>e</b> Telephone:

Explanation:

<b>a</b> Name:	<b>b</b> EIN:
<b>c</b> Position:	
<b>d</b> Address:	<b>e</b> Telephone:

Explanation:

<b>a</b> Name:	<b>b</b> EIN:
<b>c</b> Position:	
<b>d</b> Address:	<b>e</b> Telephone:

Explanation:

<b>a</b> Name:	<b>b</b> EIN:
<b>c</b> Position:	
<b>d</b> Address:	<b>e</b> Telephone:

Explanation:

<b>a</b> Name:	<b>b</b> EIN:
<b>c</b> Position:	
<b>d</b> Address:	<b>e</b> Telephone:

Explanation:

<b>SCHEDULE H</b> <b>(Form 5500)</b>  <small>Department of the Treasury Internal Revenue Service</small>  <small>Department of Labor Employee Benefits Security Administration</small>  <small>Pension Benefit Guaranty Corporation</small>	<b>Financial Information</b>  This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code).  <b>▶ File as an attachment to Form 5500.</b>	<small>OMB No. 1210-0110</small>  <b>2023</b>  <b>This Form is Open to Public Inspection</b>
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For calendar plan year 2023 or fiscal plan year beginning <b>01/01/2023</b> and ending <b>12/31/2023</b>	
<b>A</b> Name of plan <b>MACPHERSON'S EMPLOYEE STOCK OWNERSHIP PLAN</b>	<b>B</b> Three-digit plan number (PN) ▶ <b>002</b>
<b>C</b> Plan sponsor's name as shown on line 2a of Form 5500 <b>ART SUPPLY ENTERPRISES, INC.</b>	<b>D</b> Employer Identification Number (EIN) <b>94-1152693</b>

<b>Part I</b>	<b>Asset and Liability Statement</b>
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**1** Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. **Round off amounts to the nearest dollar.** MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.

		(a) Beginning of Year	(b) End of Year
<b>Assets</b>			
<b>a</b> Total noninterest-bearing cash .....	<b>1a</b>		
<b>b</b> Receivables (less allowance for doubtful accounts):			
<b>(1)</b> Employer contributions .....	<b>1b(1)</b>	89758	
<b>(2)</b> Participant contributions .....	<b>1b(2)</b>		
<b>(3)</b> Other .....	<b>1b(3)</b>		
<b>c</b> General investments:			
<b>(1)</b> Interest-bearing cash (include money market accounts & certificates of deposit) .....	<b>1c(1)</b>	13761	105006
<b>(2)</b> U.S. Government securities .....	<b>1c(2)</b>		
<b>(3)</b> Corporate debt instruments (other than employer securities):			
<b>(A)</b> Preferred .....	<b>1c(3)(A)</b>		
<b>(B)</b> All other .....	<b>1c(3)(B)</b>		
<b>(4)</b> Corporate stocks (other than employer securities):			
<b>(A)</b> Preferred .....	<b>1c(4)(A)</b>		
<b>(B)</b> Common .....	<b>1c(4)(B)</b>		
<b>(5)</b> Partnership/joint venture interests .....	<b>1c(5)</b>		
<b>(6)</b> Real estate (other than employer real property) .....	<b>1c(6)</b>		
<b>(7)</b> Loans (other than to participants) .....	<b>1c(7)</b>		
<b>(8)</b> Participant loans .....	<b>1c(8)</b>		
<b>(9)</b> Value of interest in common/collective trusts .....	<b>1c(9)</b>		
<b>(10)</b> Value of interest in pooled separate accounts .....	<b>1c(10)</b>		
<b>(11)</b> Value of interest in master trust investment accounts .....	<b>1c(11)</b>		
<b>(12)</b> Value of interest in 103-12 investment entities .....	<b>1c(12)</b>		
<b>(13)</b> Value of interest in registered investment companies (e.g., mutual funds) .....	<b>1c(13)</b>		
<b>(14)</b> Value of funds held in insurance company general account (unallocated contracts) .....	<b>1c(14)</b>		
<b>(15)</b> Other .....	<b>1c(15)</b>		

<b>1d</b> Employer-related investments:		<b>(a)</b> Beginning of Year	<b>(b)</b> End of Year
(1) Employer securities .....	<b>1d(1)</b>	13532620	15293897
(2) Employer real property .....	<b>1d(2)</b>		
<b>e</b> Buildings and other property used in plan operation .....	<b>1e</b>		
<b>f</b> Total assets (add all amounts in lines 1a through 1e) .....	<b>1f</b>	13636139	15398903
<b>Liabilities</b>			
<b>g</b> Benefit claims payable .....	<b>1g</b>		
<b>h</b> Operating payables .....	<b>1h</b>		
<b>i</b> Acquisition indebtedness .....	<b>1i</b>		
<b>j</b> Other liabilities .....	<b>1j</b>	8178027	7298182
<b>k</b> Total liabilities (add all amounts in lines 1g through 1j) .....	<b>1k</b>	8178027	7298182
<b>Net Assets</b>			
<b>l</b> Net assets (subtract line 1k from line 1f) .....	<b>1l</b>	5458112	8100721

**Part II Income and Expense Statement**

**2** Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

<b>Income</b>		<b>(a)</b> Amount	<b>(b)</b> Total
<b>a Contributions:</b>			
(1) Received or receivable in cash from: <b>(A)</b> Employers .....	<b>2a(1)(A)</b>	1486612	
<b>(B)</b> Participants .....	<b>2a(1)(B)</b>		
<b>(C)</b> Others (including rollovers) .....	<b>2a(1)(C)</b>		
(2) Noncash contributions .....	<b>2a(2)</b>		
(3) Total contributions. Add lines <b>2a(1)(A)</b> , <b>(B)</b> , <b>(C)</b> , and line <b>2a(2)</b> .....	<b>2a(3)</b>		1486612
<b>b Earnings on investments:</b>			
<b>(1) Interest:</b>			
<b>(A)</b> Interest-bearing cash (including money market accounts and certificates of deposit) .....	<b>2b(1)(A)</b>	1486	
<b>(B)</b> U.S. Government securities .....	<b>2b(1)(B)</b>		
<b>(C)</b> Corporate debt instruments .....	<b>2b(1)(C)</b>		
<b>(D)</b> Loans (other than to participants) .....	<b>2b(1)(D)</b>		
<b>(E)</b> Participant loans .....	<b>2b(1)(E)</b>		
<b>(F)</b> Other .....	<b>2b(1)(F)</b>		
<b>(G)</b> Total interest. Add lines <b>2b(1)(A)</b> through <b>(F)</b> .....	<b>2b(1)(G)</b>		
<b>(2) Dividends:</b>			
<b>(A)</b> Preferred stock .....	<b>2b(2)(A)</b>		
<b>(B)</b> Common stock .....	<b>2b(2)(B)</b>		
<b>(C)</b> Registered investment company shares (e.g. mutual funds) .....	<b>2b(2)(C)</b>		
<b>(D)</b> Total dividends. Add lines <b>2b(2)(A)</b> , <b>(B)</b> , and <b>(C)</b> .....	<b>2b(2)(D)</b>		0
(3) Rents .....	<b>2b(3)</b>		
<b>(4) Net gain (loss) on sale of assets:</b>			
<b>(A)</b> Aggregate proceeds .....	<b>2b(4)(A)</b>		
<b>(B)</b> Aggregate carrying amount (see instructions) .....	<b>2b(4)(B)</b>		
<b>(C)</b> Subtract line <b>2b(4)(B)</b> from line <b>2b(4)(A)</b> and enter result .....	<b>2b(4)(C)</b>		
<b>(5) Unrealized appreciation (depreciation) of assets:</b>			
<b>(A)</b> Real estate .....	<b>2b(5)(A)</b>		
<b>(B)</b> Other .....	<b>2b(5)(B)</b>	1761277	
<b>(C)</b> Total unrealized appreciation of assets. Add lines <b>2b(5)(A)</b> and <b>(B)</b> .....	<b>2b(5)(C)</b>		

		(a) Amount	(b) Total
(6) Net investment gain (loss) from common/collective trusts.....	2b(6)		
(7) Net investment gain (loss) from pooled separate accounts.....	2b(7)		
(8) Net investment gain (loss) from master trust investment accounts.....	2b(8)		
(9) Net investment gain (loss) from 103-12 investment entities.....	2b(9)		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds) .....	2b(10)		
<b>c</b> Other income .....	2c		
<b>d</b> Total income. Add all <b>income</b> amounts in column (b) and enter total .....	2d		3249375

**Expenses**

<b>e</b> Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers .....	2e(1)	238755	
(2) To insurance carriers for the provision of benefits.....	2e(2)		
(3) Other.....	2e(3)		
(4) Total benefit payments. Add lines 2e(1) through (3) .....	2e(4)		238755
<b>f</b> Corrective distributions (see instructions).....	2f		
<b>g</b> Certain deemed distributions of participant loans (see instructions) .....	2g		
<b>h</b> Interest expense .....	2h		368011
<b>i</b> Administrative expenses:			
(1) Salaries and allowances.....	2i(1)		
(2) Contract administrator fees.....	2i(2)		
(3) Recordkeeping fees.....	2i(3)		
(4) IQPA audit fees.....	2i(4)		
(5) Investment advisory and investment management fees .....	2i(5)		
(6) Bank or trust company trustee/custodial fees .....	2i(6)		
(7) Actuarial fees .....	2i(7)		
(8) Legal fees .....	2i(8)		
(9) Valuation/appraisal fees .....	2i(9)		
(10) Other trustee fees and expenses .....	2i(10)		
(11) Other expenses .....	2i(11)		
(12) Total administrative expenses. Add lines 2i(1) through (11) .....	2i(12)		0
<b>j</b> Total expenses. Add all <b>expense</b> amounts in column (b) and enter total .....	2j		606766

**Net Income and Reconciliation**

<b>k</b> Net income (loss). Subtract line 2j from line 2d.....	2k		2642609
<b>l</b> Transfers of assets:			
(1) To this plan .....	2l(1)		
(2) From this plan .....	2l(2)		

**Part III Accountant's Opinion**

**3** Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

**a** The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1)  Unmodified (2)  Qualified (3)  Disclaimer (4)  Adverse

**b** Check the appropriate box(es) to indicate whether the IQPA performed an ERISA section 103(a)(3)(C) audit. Check both boxes (1) and (2) if the audit was performed pursuant to both 29 CFR 2520.103-8 and 29 CFR 2520.103-12(d). Check box (3) if pursuant to neither.

(1)  DOL Regulation 2520.103-8 (2)  DOL Regulation 2520.103-12(d) (3)  neither DOL Regulation 2520.103-8 nor DOL Regulation 2520.103-12(d).

**c** Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: CBIZ CPAS P.C.

(2) EIN: 43-1947695

**d** The opinion of an independent qualified public accountant is **not attached** as part of Schedule H because:

(1)  This form is filed for a CCT, PSA, DCG or MTIA. (2)  It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

**Part IV Compliance Questions**

**4** CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete lines 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete lines 4j and 4l. MTIAs also do not complete line 4l. DCGs do not complete lines 4e, 4f, 4k, 4l, and 5, and DCGs generally complete the rest of Part IV collectively for all plans in the DCG, except as otherwise provided (see instructions).

During the plan year:

	Yes	No	Amount
<b>a</b> Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.)		X	
<b>b</b> Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.)		X	
<b>c</b> Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)		X	
<b>d</b> Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.)		X	
<b>e</b> Was this plan covered by a fidelity bond?	X		1000000
<b>f</b> Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?		X	
<b>g</b> Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?		X	
<b>h</b> Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?		X	
<b>i</b> Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.)	X		
<b>j</b> Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked and see instructions for format requirements.)		X	
<b>k</b> Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?		X	
<b>l</b> Has the plan failed to provide any benefit when due under the plan?		X	
<b>m</b> If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)		X	
<b>n</b> If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.			

**5a** Has a resolution to terminate the plan been adopted during the plan year or any prior plan year?  Yes  No  
If "Yes," enter the amount of any plan assets that reverted to the employer this year \_\_\_\_\_.

**5b** If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

<b>5b(1)</b> Name of plan(s)	<b>5b(2)</b> EIN(s)	<b>5b(3)</b> PN(s)

**5c** Was the plan a defined benefit plan covered under the PBGC insurance program at any time during this plan year? (See ERISA section 4021 and instructions.) .....  Yes  No  Not determined

If "Yes" is checked, enter the My PAA confirmation number from the PBGC premium filing for this plan year \_\_\_\_\_.

<b>SCHEDULE R</b> <b>(Form 5500)</b>  <small>Department of the Treasury Internal Revenue Service</small>  <small>Department of Labor Employee Benefits Security Administration</small>  <small>Pension Benefit Guaranty Corporation</small>	<b>Retirement Plan Information</b>  This schedule is required to be filed under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code).  <b>▶ File as an attachment to Form 5500.</b>	<small>OMB No. 1210-0110</small>  <b>2023</b>  <b>This Form is Open to Public Inspection.</b>
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For calendar plan year 2023 or fiscal plan year beginning 01/01/2023 and ending 12/31/2023

<b>A</b> Name of plan <u>MACPHERSON'S EMPLOYEE STOCK OWNERSHIP PLAN</u>	<b>B</b> Three-digit plan number (PN) ▶	<u>002</u>
<b>C</b> Plan sponsor's name as shown on line 2a of Form 5500 <u>ART SUPPLY ENTERPRISES, INC.</u>	<b>D</b> Employer Identification Number (EIN) <u>94-1152693</u>	

<b>Part I</b>	<b>Distributions</b>
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**All references to distributions relate only to payments of benefits during the plan year.**

<b>1</b> Total value of distributions paid in property other than in cash or the forms of property specified in the instructions.....	1	0
---	---	---

**2** Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits):  
EIN(s): 42-0127290

**Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.**

<b>3</b> Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year .....	3	
--	---	--

<b>Part II</b>	<b>Funding Information</b> (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part.)
----------------	---

**4** Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)? .....  Yes  No  N/A  
**If the plan is a defined benefit plan, go to line 8.**

**5** If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. **Date:** Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_  
**If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.**

<b>6 a</b> Enter the minimum required contribution for this plan year (include any prior year accumulated funding deficiency not waived) .....	6a	
<b>b</b> Enter the amount contributed by the employer to the plan for this plan year .....	6b	
<b>c</b> Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount) .....	6c	

**If you completed line 6c, skip lines 8 and 9.**

**7** Will the minimum funding amount reported on line 6c be met by the funding deadline? .....  Yes  No  N/A

**8** If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure or other authority providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change? .....  Yes  No  N/A

<b>Part III</b>	<b>Amendments</b>
-----------------	-------------------

**9** If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box. If no, check the "No" box. ....  Increase  Decrease  Both  No

<b>Part IV</b>	<b>ESOPs</b> (see instructions). If this is not a plan described under section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.
----------------	---

**10** Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan? .....  Yes  No

**11 a** Does the ESOP hold any preferred stock? .....  Yes  No

**b** If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.) .....  Yes  No

**12** Does the ESOP hold any stock that is not readily tradable on an established securities market? .....  Yes  No

**Part V Additional Information for Multiemployer Defined Benefit Pension Plans**

**13** Enter the following information for each employer that (1) contributed more than 5% of total contributions to the plan during the plan year or (2) was one of the top-ten highest contributors (measured in dollars). See instructions. Complete as many entries as needed to report all applicable employers.

**a** Name of contributing employer \_\_\_\_\_

**b** EIN \_\_\_\_\_ **c** Dollar amount contributed by employer \_\_\_\_\_

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box  and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box  and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure:  Hourly  Weekly  Unit of production  Other (specify): \_\_\_\_\_

**a** Name of contributing employer \_\_\_\_\_

**b** EIN \_\_\_\_\_ **c** Dollar amount contributed by employer \_\_\_\_\_

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box  and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box  and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure:  Hourly  Weekly  Unit of production  Other (specify): \_\_\_\_\_

**a** Name of contributing employer \_\_\_\_\_

**b** EIN \_\_\_\_\_ **c** Dollar amount contributed by employer \_\_\_\_\_

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box  and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box  and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure:  Hourly  Weekly  Unit of production  Other (specify): \_\_\_\_\_

**a** Name of contributing employer \_\_\_\_\_

**b** EIN \_\_\_\_\_ **c** Dollar amount contributed by employer \_\_\_\_\_

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box  and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box  and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure:  Hourly  Weekly  Unit of production  Other (specify): \_\_\_\_\_

**a** Name of contributing employer \_\_\_\_\_

**b** EIN \_\_\_\_\_ **c** Dollar amount contributed by employer \_\_\_\_\_

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box  and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box  and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure:  Hourly  Weekly  Unit of production  Other (specify): \_\_\_\_\_

**a** Name of contributing employer \_\_\_\_\_

**b** EIN \_\_\_\_\_ **c** Dollar amount contributed by employer \_\_\_\_\_

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box  and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box  and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure:  Hourly  Weekly  Unit of production  Other (specify): \_\_\_\_\_

**14** Enter the number of deferred vested and retired participants (inactive participants), as of the beginning of the plan year, whose contributing employer is no longer making contributions to the plan for:

<b>a</b> The current plan year. Check the box to indicate the counting method used to determine the number of inactive participants: <input type="checkbox"/> last contributing employer <input type="checkbox"/> alternative <input type="checkbox"/> reasonable approximation (see instructions for required attachment) .....	<b>14a</b>	
<b>b</b> The plan year immediately preceding the current plan year. <input type="checkbox"/> Check the box if the number reported is a change from what was previously reported (see instructions for required attachment) .....	<b>14b</b>	
<b>c</b> The second preceding plan year. <input type="checkbox"/> Check the box if the number reported is a change from what was previously reported (see instructions for required attachment).....	<b>14c</b>	

**15** Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:

<b>a</b> The corresponding number for the plan year immediately preceding the current plan year .....	<b>15a</b>	
<b>b</b> The corresponding number for the second preceding plan year .....	<b>15b</b>	

**16** Information with respect to any employers who withdrew from the plan during the preceding plan year:

<b>a</b> Enter the number of employers who withdrew during the preceding plan year .....	<b>16a</b>	
<b>b</b> If line 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers .....	<b>16b</b>	

**17** If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment.....

**Part VI Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans**

**18** If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment.....

**19** If the total number of participants is 1,000 or more, complete lines (a) and (b):

**a** Enter the percentage of plan assets held as:  
 Public Equity: \_\_\_\_\_% Private Equity: \_\_\_\_\_% Investment-Grade Debt and Interest Rate Hedging Assets: \_\_\_\_\_%  
 High-Yield Debt: \_\_\_\_\_% Real Assets: \_\_\_\_\_% Cash or Cash Equivalents: \_\_\_\_\_% Other: \_\_\_\_\_%

**b** Provide the average duration of the Investment-Grade Debt and Interest Rate Hedging Assets:  
 0-5 years  5-10 years  10-15 years  15 years or more

**20 PBGC missed contribution reporting requirements.** If this is a multiemployer plan or a single-employer plan that is not covered by PBGC, skip line 20.

**a** Is the amount of unpaid minimum required contributions for all years from Schedule SB (Form 5500) line 40 greater than zero?  Yes  No

**b** If line 20a is "Yes," has PBGC been notified as required by ERISA sections 4043(c)(5) and/or 303(k)(4)? Check the applicable box:  
 Yes.  
 No. Reporting was waived under 29 CFR 4043.25(c)(2) because contributions equal to or exceeding the unpaid minimum required contribution were made by the 30th day after the due date.  
 No. The 30-day period referenced in 29 CFR 4043.25(c)(2) has not yet ended, and the sponsor intends to make a contribution equal to or exceeding the unpaid minimum required contribution by the 30th day after the due date.  
 No. Other. Provide explanation.....

**Part VII IRS Compliance Questions**

**21a** Does the plan satisfy the coverage and nondiscrimination tests of Code sections 410(b) and 401(a)(4) by combining this plan with any other plans under the permissive aggregation rules?  Yes  No

**21b** If this is a Code section 401(k) plan, check all boxes that apply to indicate how the plan is intended to satisfy the nondiscrimination requirements for employee deferrals and employer matching contributions (as applicable) under Code sections 401(k)(3) and 401(m)(2).  
 Design-based safe harbor method  
 "Prior year" ADP test  
 "Current year" ADP test  
 N/A

**22** If the plan sponsor is an adopter of a pre-approved plan that received a favorable IRS Opinion Letter, enter the date of the Opinion Letter \_\_\_/\_\_\_/\_\_\_\_ (MM/DD/YYYY) and the Opinion Letter serial number \_\_\_\_\_.

MACPHERSON'S  
EMPLOYEE STOCK OWNERSHIP PLAN

FINANCIAL STATEMENTS  
AND  
SUPPLEMENTAL SCHEDULE

Year Ended December 31, 2023

MACPHERSON'S  
EMPLOYEE STOCK OWNERSHIP PLAN

Year Ended December 31, 2023

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## INDEPENDENT AUDITORS' REPORT

### TO THE ESOP COMMITTEE OF MACPHERSON'S EMPLOYEE STOCK OWNERSHIP PLAN

#### **Opinion**

We have audited the financial statements of MACPHERSON'S EMPLOYEE STOCK OWNERSHIP PLAN (the "Plan"), an employee benefit plan subject to the Employee Retirement Income Security Act of 1974 ("ERISA"), which comprise the statements of net assets (deficit) available for benefits as of December 31, 2023 and 2022, the related statement of changes in net assets (deficit) available for benefits for the year ended December 31, 2023, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the net assets (deficit) available for benefits of the Plan as of December 31, 2023 and 2022, and the changes in its net assets (deficit) available for benefits for the year ended December 31, 2023, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Plan 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 Plan's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Management is also responsible for maintaining a current plan instrument, including all plan amendments, administering the Plan, and determining that the Plan's transactions that are presented and disclosed in the financial statements are in conformity with the Plan's provisions, including maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants.



## **Auditors' Responsibilities for the Audit of the Financial Statements**

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

## **Other Matter - Supplemental Schedule Required by ERISA**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental Schedule H – Line 4i: Schedule of Assets (Held at End of Year) as of December 31, 2023, is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS.



In forming our opinion on the supplemental schedule, we evaluated whether the supplemental schedule, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA.

In our opinion, the information in the accompanying schedule is fairly stated, in all material respects, in relation to the financial statements as a whole, and the form and content are presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA.

*CBIZ CPAs P.C.<sup>1</sup>*

San Francisco, California  
October 8, 2024

<sup>1</sup>In certain jurisdictions, CBIZ CPAs P.C. operates under its previous name, Mayer Hoffman McCann P.C.

MACPHERSON'S  
EMPLOYEE STOCK OWNERSHIP PLAN

STATEMENTS OF NET ASSETS (DEFICIT) AVAILABLE FOR BENEFITS

	December 31,					
	2023			2022		
	Allocated	Unallocated	Total	Allocated	Unallocated	Total
<u>ASSETS</u>						
<u>CASH AND CASH EQUIVALENTS</u>	\$ 105,006	\$ -	\$ 105,006	\$ 13,761	\$ -	\$ 13,761
<u>INVESTMENT, AT FAIR VALUE</u>						
Investment in Art Supply Enterprises, Inc., Common Stock	10,449,950	4,843,947	15,293,897	8,640,696	4,891,924	13,532,620
<u>EMPLOYER CONTRIBUTION</u>						
<u>RECEIVABLE</u>	-	-	-	89,758	-	89,758
<u>TOTAL ASSETS</u>	<u>10,554,956</u>	<u>4,843,947</u>	<u>15,398,903</u>	<u>8,744,215</u>	<u>4,891,924</u>	<u>13,636,139</u>
<u>LIABILITIES</u>						
<u>LOAN PAYABLE</u>	-	7,298,182	7,298,182	-	8,178,027	8,178,027
<u>NET ASSETS (DEFICIT)</u>						
<u>AVAILABLE FOR BENEFITS</u>	<u>\$ 10,554,956</u>	<u>\$ (2,454,235)</u>	<u>\$ 8,100,721</u>	<u>\$ 8,744,215</u>	<u>\$ (3,286,103)</u>	<u>\$ 5,458,112</u>

MACPHERSON'S  
EMPLOYEE STOCK OWNERSHIP PLAN

STATEMENT OF CHANGES IN NET ASSETS (DEFICIT) AVAILABLE FOR BENEFITS

Year Ended December 31, 2023

	<u>Allocated</u>	<u>Unallocated</u>	<u>Total</u>
<u>ADDITIONS TO NET ASSETS</u>			
<u>ATTRIBUTED TO:</u>			
Allocation of 39,621 Shares of Common Stock of Art Supply Enterprises, Inc., at Fair Value	\$ 684,655	\$ -	\$ 684,655
Employer Contribution	238,755	1,247,857	1,486,612
Interest, Dividend and Other Income	1,486	-	1,486
Net Appreciation in Fair Value of Investments	<u>1,124,600</u>	<u>636,677</u>	<u>1,761,277</u>
<u>TOTAL ADDITIONS</u>	<u>2,049,496</u>	<u>1,884,534</u>	<u>3,934,030</u>
<u>DEDUCTIONS FROM NET ASSETS</u>			
<u>ATTRIBUTED TO:</u>			
Benefits Paid to Participants	236,278	-	236,278
Allocation of 39,621 Shares of Common Stock of Art Supply Enterprises, Inc., at Fair Value	-	684,655	684,655
Interest Expense	<u>-</u>	<u>368,011</u>	<u>368,011</u>
<u>TOTAL DEDUCTIONS</u>	<u>236,278</u>	<u>1,052,666</u>	<u>1,288,944</u>
<u>NET INCREASE IN NET ASSETS</u>	1,813,218	831,868	2,645,086
<u>TRANSFER TO ART SUPPLY ENTERPRISES, INC.</u>			
<u>401(k) PROFIT SHARING PLAN</u>			
	(2,477)	-	(2,477)
<u>NET ASSETS (DEFICIT) AVAILABLE FOR BENEFITS</u>			
<u>AT BEGINNING OF YEAR</u>	<u>8,744,215</u>	<u>(3,286,103)</u>	<u>5,458,112</u>
<u>NET ASSETS (DEFICIT) AVAILABLE FOR BENEFITS</u>			
<u>AT END OF YEAR</u>	<u>\$ 10,554,956</u>	<u>\$ (2,454,235)</u>	<u>\$ 8,100,721</u>

MACPHERSON'S  
EMPLOYEE STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 1 – DESCRIPTION OF THE PLAN

The following description of the MacPherson's Employee Stock Ownership Plan (the "Plan") provides only general information. Participants should refer to the Plan agreement for a complete description of the Plan's provisions.

Art Supply Enterprises, Inc. dba MacPherson's (the "Company") established the Plan effective as of January 1, 2010 as a leveraged employee stock ownership plan ("ESOP"). The Plan was amended and restated effective January 1, 2013, with substantially the same provisions as the previous plan document. The Plan is designed to comply with Section 4975(e)(7) and the regulations thereunder of the Internal Revenue Code (the "Code") and is subject to the applicable provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). The Plan is administered by the ESOP Committee, comprising three persons appointed by the Board of Directors of the Company. The Plan's Trustee is an independent third-party individual, as designated by the Employee Stock Ownership Trust Agreement of the Plan or appointed by the ESOP Committee.

In December 2010, the Plan purchased all of the Company's issued and outstanding shares of common stock from the Company's stockholders using the proceeds of a term loan payable to the Company (see Note 6) and holds the common stock in a trust established under the Plan. The term loan payable to the Company, with an original repayment term of twenty-two years, is to be repaid using Company contributions and dividends paid to the Plan. As the Plan makes each payment of principal, a percentage of shares of stock will be allocated to eligible employees' accounts in accordance with applicable regulations under the Code. Allocated shares will vest in accordance with the Plan's vesting schedule as described below.

The term loan payable to the Company is collateralized by the unallocated shares of common stock held in a trust. The Company has no rights against the shares once they are allocated under the ESOP. Accordingly, the financial statements of the Plan present separately the assets and liabilities and changes therein pertaining to:

- a) the accounts of employees with rights in allocated common stock ("Allocated") and;
- b) common stock not yet allocated to employees ("Unallocated").

MACPHERSON'S  
EMPLOYEE STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 1 – DESCRIPTION OF THE PLAN (Continued)

Eligibility – Employees of the Company are generally eligible to participate in the Plan commencing on the first Plan entry date following the date on which the employee reaches 19 years of age and has completed one year of service, which is defined as having performed a minimum of 1,000 hours of compensated service for the Company during the Plan year. Participants who have less than 1,000 hours of service during a Plan year are generally not eligible for an allocation of Company contributions for such year. Employees covered under a collective bargaining agreement and independent contractors are ineligible to participate in the Plan. Participation in the Plan by personnel deemed to be disqualified persons, as defined, is subject to certain limitations.

Employer Contributions – The Company is obligated to make contributions in cash to the Plan which, when aggregated with the dividends and interest earnings of the Plan, equal the amount necessary to enable the Plan to make its regularly scheduled payments of principal and interest due on the term loan payable to the Company (see Note 6). The term loan agreement provides for the debt to be repaid over a period of twenty-two years, in annual installments. During the year ended December 31, 2023, the Board of Directors authorized a contribution of \$1,247,857 to enable the Plan to make its scheduled loan payment. The Company may also make discretionary contributions to fund the distributions for the repurchase of vested shares of terminated participants. For the year ended December 31, 2023, the discretionary contributions amounted to \$238,755.

Participant Accounts – The Plan is a defined contribution plan under which a separate individual account is established for each participant. Each eligible participant's account is credited as of the last day of each Plan year with an allocation of shares of the Company's common stock released by the Trustee from the Unallocated shares held in the trust, vested shares repurchased from terminated participants, unless such shares are redeemed by the Company, and forfeitures of terminated participants' nonvested accounts. Allocations of shares are based on the ratio of each participant's eligible compensation for that year to the total eligible compensation of all participants, subject to the maximum allocation limitation prescribed within the Plan document. Plan earnings are allocated to each participant's account based on the ratio of each participant's account balance to the total of all participants' account balances at the immediately preceding valuation date.

MACPHERSON'S  
EMPLOYEE STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 1 – DESCRIPTION OF THE PLAN (Continued)

Vesting – The participant's ownership in his or her account vests based on years of continuous service as measured from the inception of the Plan, as follows:

<u>Years of Vesting Service</u>	<u>Vesting Percentage</u>
Less than 2 years	0%
2	20%
3	40%
4	60%
5	80%
6 years or more	100%

Participants become 100% vested in their account balance without regard to years of service in the event of death, disability or retirement, as defined by the Plan, or if the Plan is terminated.

Forfeitures – If a participant's employment with the Company terminates prior to being vested, then the entire balance of his or her account will be forfeited at the time of termination. For a participant who is partially-vested, the unvested portion of the participant's account balance will be forfeited as of the last day of the Plan year in which the participant first incurs a break in service, as defined, or the date of the participant's distribution, if earlier.

Forfeitures are first used to reinstate accounts of former participants who meet the requirements to be reinstated in the Plan, and then allocated as employer contributions to the remaining participants. Forfeitures of terminated non-vested account balances totaled \$58,568 and \$49,344 during the years ended December 31, 2023 and 2022, respectively, and were fully allocated to remaining participants.

Payment of Benefits – In the event of a participant's death, total disability or retirement, distribution of the participant's account shall commence prior to December 31 following the Plan year in which his or her death, disability or retirement occurs. Normal retirement age is defined by the Plan as the later of (1) the participant's attainment of age 65 or (2) the participant's fifth anniversary of participation in the Plan. Distributions for other separations from service commence no later than the year after the fifth year following the separation from service. Distributions to a participant who attains 73 years of age in a calendar year and either terminated service, or is a 5% owner as defined by Section 416(i) of the Code, must commence no later than April 1<sup>st</sup> of the following calendar year and must be made in accordance with the regulations under the Code.

MACPHERSON'S  
EMPLOYEE STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 1 – DESCRIPTION OF THE PLAN (Continued)

Payment of Benefits (Continued) – Except for mandatory distributions as defined in the agreement, a participant or beneficiary may elect distributions as a lump sum, rollover, or in annual installments over five years, or any combination thereof. A participant's vested account balance equal to or less than \$1,000 will be distributed directly to the participant as a lump-sum payment as soon as administratively practicable following the end of the Plan year in which the participant separated from service.

Benefit payments to certain participants who terminated employment during 2023, and to certain participants who terminated prior to 2023, have been deferred in accordance with the Plan's provisions. These participants have a vested interest in approximately 196,000 of the Plan's allocated shares. These participants will no longer be eligible for future share allocations and the eventual payment of benefits will be determined by the future appraised fair value of the shares. As of December 31, 2023, the estimated deferred benefit payments are approximately \$3,381,000.

Under the provisions of the Plan, the Company is obligated to repurchase participant shares which have been distributed under the terms of the Plan as long as the shares are not publicly traded or are subject to trading limitations. During the year ended December 31, 2023, the Company paid a distribution of \$238,755 to certain eligible terminated participants, participants who have reached normal retirement age and participants who elected to diversify their investments to other eligible retirement accounts. With this distribution, 15,536 allocated shares were repurchased and immediately reallocated to active and eligible participants, therefore the number of allocated and unallocated shares was not changed.

Cash Dividends – Any cash dividends as declared by the Company's Board of Directors, payable on the Company's stock purchased with the proceeds of a loan are to be used first to repay any outstanding loan payable and accrued interest. To the extent there is no outstanding balance on the loan payable, such cash dividends may be used to purchase the Company's common stock to the extent available or to satisfy any general obligations of the Plan.

Diversification Rights – Diversification rights are provided to participants nearing retirement so that they may have the opportunity to move part of the value of their investment in Company common stock into other investments. Participants who have reached at least 55 years of age and have at least 10 years of participation in the Plan may elect to diversify a portion of their account balances. Diversification is offered to each eligible participant over a five-year period. In each of the first four years, the participant may diversify up to 25 percent of the number of shares allocated to his or her account, less any shares previously diversified. In the fifth year, the percentage changes to 50 percent.

MACPHERSON'S  
EMPLOYEE STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 1 – DESCRIPTION OF THE PLAN (Continued)

Diversification Rights (Continued) – Participants who elect to diversify will direct the Trustee to transfer that portion of his or her account to the investment option of the participant's election. During 2023, an eligible participant elected to diversify a portion of their account by transferring \$2,477 to the Art Supply Enterprises, Inc. 401(k) Profit Sharing Plan, an affiliated defined contribution plan also maintained by the Company.

Voting Rights – Each participant has the right to instruct the Trustee in the voting of shares allocated to his or her account with respect to any corporate matter involving the approval or disapproval of any corporate merger or consolidation, recapitalization, reclassification, liquidation, dissolution, sale of substantially all assets of a trade or business, or such similar transaction, as defined. The ESOP Committee will direct the Trustee to exercise the voting rights attributable to shares allocated to participant accounts for which it has not received valid voting instructions from the participant. On other matters requiring a vote of the shareholders, the ESOP Committee shall direct the Trustee to vote all Allocated shares. The ESOP Committee will also direct the Trustee to vote all Unallocated shares.

Put Option – Under Federal income tax regulations prescribed by the Code, the employer's stock held by the Plan and its participants which is not readily tradable on an established market shall include a put option. The put option provides the right to demand that the Company buy any shares of its stock distributed to participants for which there is no market. The put option permits the participant (or beneficiary) to sell Company stock to the Company at any time during two option periods, at the then current fair value. The first put option period runs for at least 60 days commencing on the date of distribution to the participant. The second put option period runs for at least 60 days commencing on the first day after the new determination of the fair value of the Company stock is made in the year subsequent to the distribution. Fair value is based on an appraisal performed no less than once annually by an independent person who customarily makes such appraisals. The purpose of the put option is to ensure that the participant has the ability to ultimately obtain cash.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The Plan's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

MACPHERSON'S  
EMPLOYEE STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the plan administrator to make estimates and assumptions that affect the reported amounts of assets, liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements. Significant estimates affecting the Plan's financial statements include the fair value of the Company's common stock. Actual results may differ from those estimates.

Investment Valuation and Income Recognition – The shares of the Company's common stock held in the Plan are stated at estimated fair value. Fair value is determined annually by an appraisal performed by a certified appraiser independent of the Company. At December 31, 2023 and 2022, the estimated fair value per share of the Company's common stock was \$17.28 and \$15.29, respectively. See Note 4 for further discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized gains and losses from security transactions are reported on the average cost method. Net appreciation or depreciation in the fair value of investments includes gains and losses on investments bought and sold as well as held during the year.

Payment of Benefits – Benefits are recorded when paid.

Administrative Expenses – Generally all expenses of maintaining the Plan are paid directly by the Company and are excluded from these financial statements.

NOTE 3 – ADMINISTRATION OF PLAN ASSETS

The Plan's assets at December 31, 2023 and 2022 consist principally of the Company's common stock and are held by the Trustee of the Plan.

The Company's contributions to the Plan are held and managed by the Trustee, who invests contributions received, interest and dividend income received, and makes distributions to participants. The Trustee also administers the payment of interest and principal on the term loan payable (see Note 6). Certain Plan administrative functions are performed by officers or employees of the Company. No officer or employee receives compensation from the Plan for such services. Administrative expenses for the Trustee fees are paid directly by the Company.

MACPHERSON'S  
EMPLOYEE STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 4 – FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access at the measurement date.

Level 2: Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The fair value of the Plan’s investment in the Company’s common stock is determined with Level 3 inputs and is valued based upon an independent appraisal using a combination of market and income valuation techniques which are substantially consistent with prior years. The appraiser considers the Company’s historical and projected cash flow and net income or loss, return on assets, return on equity, market comparables and estimated fair value of Company assets and liabilities.

MACPHERSON'S  
EMPLOYEE STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 4 – FAIR VALUE MEASUREMENTS (Continued)

The ESOP Committee determines the fair value measurement policies and procedures in consultation with the independent appraiser. Those policies and procedures are reassessed at least annually to determine if the current valuation techniques are still appropriate. At that time, the unobservable inputs used in the fair value measurements are evaluated and adjusted, as necessary, based on current market conditions and other third-party information.

This valuation methodology may produce a fair value estimation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value could result in a different fair value measurement at the reporting date.

The following table sets forth the basic assumptions and unobservable inputs used in arriving at fair value. There have been no significant changes in the Plan's valuation methodologies during 2023 and 2022.

Description	Fair Value 12/31/2023	Fair Value 12/31/2022	Valuation Techniques	Unobservable Inputs
Company Common Stock	\$15,293,897	\$13,532,620	Discounted Cash Flow Analysis	Cash flow forecast
				Weighted average cost of capital
				Sustainable growth rate
				Discount for lack of marketability
			Market Comparable Transactions (Transaction Method) in 2023	2024 and 2025 Projected EBITDA
				Market transaction multipliers
			Market Comparable Companies (Public Company and Merged and Acquired Methods) in 2022	2023 Projected EBITDA
				EBITDA multipliers
				Discount for lack of marketability

MACPHERSON'S  
EMPLOYEE STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 4 – FAIR VALUE MEASUREMENTS (Continued)

The change in fair value of the Plan's investment in Company common stock during the year ended December 31, 2023, is as follows:

Balance, January 1, 2023	\$ 13,532,620
Net Appreciation in Fair Value of Investments	<u>1,761,277</u>
Balance, December 31, 2023	<u><u>\$ 15,293,897</u></u>

Gains and losses (realized and unrealized) for the year ended December 31, 2023 are included in net appreciation in fair value of investments in the statement of changes in net assets (deficit) available for benefits.

NOTE 5 – INVESTMENTS

Investments held by the Plan consist of the following at December 31:

	<u>2023</u>		<u>2022</u>	
	<u>Allocated</u>	<u>Unallocated</u>	<u>Allocated</u>	<u>Unallocated</u>
Investment in Common Stock of Art Supply Enterprises, Inc.:				
Number of Shares	<u>604,743</u>	<u>280,321</u>	<u>565,122</u>	<u>319,942</u>
Cost	<u>\$ 13,302,012</u>	<u>\$ 6,165,980</u>	<u>\$ 12,430,504</u>	<u>\$ 7,037,490</u>
Fair Value	<u>\$ 10,449,950</u>	<u>\$ 4,843,947</u>	<u>\$ 8,640,696</u>	<u>\$ 4,891,924</u>

The Company has 885,064 shares of authorized common stock issued and outstanding at December 31, 2023 and 2022. All of the Company's issued and outstanding stock are held by the Plan.

MACPHERSON'S  
EMPLOYEE STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 6 – LOAN PAYABLE

In December 2010, the Plan entered into a term loan agreement with the Company to borrow \$21,996,140 to finance the purchase of all issued and outstanding shares of the Company's common stock, which amounted to 1,000,000 shares on that date.

The term loan agreement with the Company provides for the loan to be repaid over a period of twenty-two years. Annual payments of principal and interest are due on December 31<sup>st</sup> through 2032. The Plan may prepay the term loan in whole or in part at any time without penalty. The loan bears interest at an annual rate of 4.50%. The unallocated shares of Company common stock held by the Plan are pledged as collateral for the term loan.

The future minimum principal payments for the term loan payable are as follows:

<u>Years Ending December 31,</u>	
2024	\$ 879,846
2025	879,846
2026	879,846
2027	879,846
2028	879,846
Thereafter	<u>2,898,952</u>
	<u>\$ 7,298,182</u>

The loan payable balance as of December 31, 2023 and 2022 was \$7,298,182 and \$8,178,027, respectively. Interest expense incurred on the loan payable for the year ended December 31, 2023 amounted to \$368,011. During the year ended December 31, 2023, cash paid by the Plan for interest amounted to \$368,011 and for principal amounted to \$879,846.

NOTE 7 – TAX STATUS

The Plan received a determination letter from the Internal Revenue Service ("IRS") dated June 19, 2014, stating that the Plan is qualified and, therefore, the related ESOP is exempt from taxation. The Plan is required to operate in conformity with the Code to maintain its qualification. The determination letter covers all amendments made through January 1, 2013.

MACPHERSON'S  
EMPLOYEE STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 7 – TAX STATUS (Continued)

The ESOP Committee and the Plan's counsel believe that the Plan is designed and is currently being operated in compliance with the applicable requirements of the Code and, therefore, believe that the ESOP is tax-exempt. Accordingly, no provision for income taxes is reported in the Plan's financial statements.

Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by the Plan and recognize a tax liability if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the tax authorities. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

NOTE 8 – RELATED PARTY TRANSACTIONS

The Plan, through the ESOP Trust, holds the Company's common stock. The Company is the employer and plan sponsor. Therefore, all transactions with the Company qualify as party-in-interest transactions.

The Plan's recordkeeper, Principal Life Insurance Company, provides certain administrative services to the Plan, and therefore, these transactions qualify as party-in-interest transactions.

NOTE 9 – RISKS AND UNCERTAINTIES

The Plan's assets consist primarily of investment in the Company's common stock, which is exposed to various risks such as interest rate, market, and credit risks, as well as valuation assumptions based on estimated future earnings, cash flows and/or other such techniques. Market risks include global events which could impact the value of investment securities, such as a pandemic or international conflict. Due to the level of risk associated with the investment in the common stock and to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in the value of the Company's common stock will occur in the near term and that such changes could materially affect the amounts reported in the Statements of Net Assets (Deficit) Available for Benefits and in the Statement of Changes in Net Assets (Deficit) Available for Benefits.

MACPHERSON'S  
EMPLOYEE STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 10 – PLAN TERMINATION

The Company reserves the right to terminate the Plan at any time, subject to the Plan's provisions. Under these provisions, each participant's vested interest in the trust fund will be distributed to the participant or his or her beneficiary in the time frame prescribed by the Plan agreement and the Code. Upon termination of the Plan, the ESOP Committee shall direct the Trustee to pay all liabilities and expenses of the Plan and to sell shares of unallocated common stock to the extent it determines such sale to be necessary in order to repay the loan discussed in Note 6.

NOTE 11 – SUBSEQUENT EVENTS

The Plan's management has evaluated subsequent events through October 8, 2024, the date the Plan's financial statements were available to be issued.

SUPPLEMENTAL SCHEDULE

MACPHERSON'S  
EMPLOYEE STOCK OWNERSHIP PLAN

SCHEDULE H – LINE 4i: SCHEDULE OF ASSETS (HELD AT END OF YEAR)

FEIN: 94-1152693

Plan Number: 002

December 31, 2023

<u>(a)</u>	<u>(b) Identity of Issue, Borrower, Lessor, or Similar Party</u>	<u>(c) Description of Investment, Including Maturity Date, Rate of Interest, Collateral, Par, or Maturity Value</u>	<u>(d) Cost</u>	<u>(e) Current Value</u>
	<u>Private Company Common Stock</u>			
*	Art Supply Enterprises, Inc.	604,743 Allocated Shares, Common Stock	\$ 13,302,012	\$ 10,449,950
*	Art Supply Enterprises, Inc.	280,321 Unallocated Shares, Common Stock	<u>6,165,980</u>	<u>4,843,947</u>
		885,064 Total Shares, Common Stock	<u>\$ 19,467,992</u>	<u>\$ 15,293,897</u>

\* Indicates party-in-interest as defined by ERISA.

MACPHERSON'S  
EMPLOYEE STOCK OWNERSHIP PLAN

FINANCIAL STATEMENTS  
AND  
SUPPLEMENTAL SCHEDULE

Year Ended December 31, 2023

MACPHERSON'S  
EMPLOYEE STOCK OWNERSHIP PLAN

Year Ended December 31, 2023

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## INDEPENDENT AUDITORS' REPORT

### TO THE ESOP COMMITTEE OF MACPHERSON'S EMPLOYEE STOCK OWNERSHIP PLAN

#### **Opinion**

We have audited the financial statements of MACPHERSON'S EMPLOYEE STOCK OWNERSHIP PLAN (the "Plan"), an employee benefit plan subject to the Employee Retirement Income Security Act of 1974 ("ERISA"), which comprise the statements of net assets (deficit) available for benefits as of December 31, 2023 and 2022, the related statement of changes in net assets (deficit) available for benefits for the year ended December 31, 2023, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the net assets (deficit) available for benefits of the Plan as of December 31, 2023 and 2022, and the changes in its net assets (deficit) available for benefits for the year ended December 31, 2023, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Plan 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 Plan's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Management is also responsible for maintaining a current plan instrument, including all plan amendments, administering the Plan, and determining that the Plan's transactions that are presented and disclosed in the financial statements are in conformity with the Plan's provisions, including maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants.



## **Auditors' Responsibilities for the Audit of the Financial Statements**

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

## **Other Matter - Supplemental Schedule Required by ERISA**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental Schedule H – Line 4i: Schedule of Assets (Held at End of Year) as of December 31, 2023, is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS.



In forming our opinion on the supplemental schedule, we evaluated whether the supplemental schedule, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA.

In our opinion, the information in the accompanying schedule is fairly stated, in all material respects, in relation to the financial statements as a whole, and the form and content are presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA.

*CBIZ CPAs P.C.<sup>1</sup>*

San Francisco, California  
October 8, 2024

<sup>1</sup>In certain jurisdictions, CBIZ CPAs P.C. operates under its previous name, Mayer Hoffman McCann P.C.

MACPHERSON'S  
EMPLOYEE STOCK OWNERSHIP PLAN

STATEMENTS OF NET ASSETS (DEFICIT) AVAILABLE FOR BENEFITS

	December 31,					
	2023			2022		
	Allocated	Unallocated	Total	Allocated	Unallocated	Total
<u>ASSETS</u>						
<u>CASH AND CASH EQUIVALENTS</u>	\$ 105,006	\$ -	\$ 105,006	\$ 13,761	\$ -	\$ 13,761
<u>INVESTMENT, AT FAIR VALUE</u>						
Investment in Art Supply Enterprises, Inc., Common Stock	10,449,950	4,843,947	15,293,897	8,640,696	4,891,924	13,532,620
<u>EMPLOYER CONTRIBUTION RECEIVABLE</u>	-	-	-	89,758	-	89,758
<u>TOTAL ASSETS</u>	<u>10,554,956</u>	<u>4,843,947</u>	<u>15,398,903</u>	<u>8,744,215</u>	<u>4,891,924</u>	<u>13,636,139</u>
<u>LIABILITIES</u>						
<u>LOAN PAYABLE</u>	-	7,298,182	7,298,182	-	8,178,027	8,178,027
<u>NET ASSETS (DEFICIT) AVAILABLE FOR BENEFITS</u>	<u>\$ 10,554,956</u>	<u>\$ (2,454,235)</u>	<u>\$ 8,100,721</u>	<u>\$ 8,744,215</u>	<u>\$ (3,286,103)</u>	<u>\$ 5,458,112</u>

MACPHERSON'S  
EMPLOYEE STOCK OWNERSHIP PLAN

STATEMENT OF CHANGES IN NET ASSETS (DEFICIT) AVAILABLE FOR BENEFITS

Year Ended December 31, 2023

	Allocated	Unallocated	Total
<u>ADDITIONS TO NET ASSETS</u>			
<u>ATTRIBUTED TO:</u>			
Allocation of 39,621 Shares of Common Stock of Art Supply Enterprises, Inc., at Fair Value	\$ 684,655	\$ -	\$ 684,655
Employer Contribution	238,755	1,247,857	1,486,612
Interest, Dividend and Other Income	1,486	-	1,486
Net Appreciation in Fair Value of Investments	1,124,600	636,677	1,761,277
<u>TOTAL ADDITIONS</u>	2,049,496	1,884,534	3,934,030
<u>DEDUCTIONS FROM NET ASSETS</u>			
<u>ATTRIBUTED TO:</u>			
Benefits Paid to Participants	236,278	-	236,278
Allocation of 39,621 Shares of Common Stock of Art Supply Enterprises, Inc., at Fair Value	-	684,655	684,655
Interest Expense	-	368,011	368,011
<u>TOTAL DEDUCTIONS</u>	236,278	1,052,666	1,288,944
<u>NET INCREASE IN NET ASSETS</u>	1,813,218	831,868	2,645,086
<u>TRANSFER TO ART SUPPLY ENTERPRISES, INC.</u> <u>401(k) PROFIT SHARING PLAN</u>	(2,477)	-	(2,477)
<u>NET ASSETS (DEFICIT) AVAILABLE FOR BENEFITS</u> <u>AT BEGINNING OF YEAR</u>	8,744,215	(3,286,103)	5,458,112
<u>NET ASSETS (DEFICIT) AVAILABLE FOR BENEFITS</u> <u>AT END OF YEAR</u>	\$ 10,554,956	\$ (2,454,235)	\$ 8,100,721

MACPHERSON'S  
EMPLOYEE STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 1 – DESCRIPTION OF THE PLAN

The following description of the MacPherson's Employee Stock Ownership Plan (the "Plan") provides only general information. Participants should refer to the Plan agreement for a complete description of the Plan's provisions.

Art Supply Enterprises, Inc. dba MacPherson's (the "Company") established the Plan effective as of January 1, 2010 as a leveraged employee stock ownership plan ("ESOP"). The Plan was amended and restated effective January 1, 2013, with substantially the same provisions as the previous plan document. The Plan is designed to comply with Section 4975(e)(7) and the regulations thereunder of the Internal Revenue Code (the "Code") and is subject to the applicable provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). The Plan is administered by the ESOP Committee, comprising three persons appointed by the Board of Directors of the Company. The Plan's Trustee is an independent third-party individual, as designated by the Employee Stock Ownership Trust Agreement of the Plan or appointed by the ESOP Committee.

In December 2010, the Plan purchased all of the Company's issued and outstanding shares of common stock from the Company's stockholders using the proceeds of a term loan payable to the Company (see Note 6) and holds the common stock in a trust established under the Plan. The term loan payable to the Company, with an original repayment term of twenty-two years, is to be repaid using Company contributions and dividends paid to the Plan. As the Plan makes each payment of principal, a percentage of shares of stock will be allocated to eligible employees' accounts in accordance with applicable regulations under the Code. Allocated shares will vest in accordance with the Plan's vesting schedule as described below.

The term loan payable to the Company is collateralized by the unallocated shares of common stock held in a trust. The Company has no rights against the shares once they are allocated under the ESOP. Accordingly, the financial statements of the Plan present separately the assets and liabilities and changes therein pertaining to:

- a) the accounts of employees with rights in allocated common stock ("Allocated") and;
- b) common stock not yet allocated to employees ("Unallocated").

MACPHERSON'S  
EMPLOYEE STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 1 – DESCRIPTION OF THE PLAN (Continued)

Eligibility – Employees of the Company are generally eligible to participate in the Plan commencing on the first Plan entry date following the date on which the employee reaches 19 years of age and has completed one year of service, which is defined as having performed a minimum of 1,000 hours of compensated service for the Company during the Plan year. Participants who have less than 1,000 hours of service during a Plan year are generally not eligible for an allocation of Company contributions for such year. Employees covered under a collective bargaining agreement and independent contractors are ineligible to participate in the Plan. Participation in the Plan by personnel deemed to be disqualified persons, as defined, is subject to certain limitations.

Employer Contributions – The Company is obligated to make contributions in cash to the Plan which, when aggregated with the dividends and interest earnings of the Plan, equal the amount necessary to enable the Plan to make its regularly scheduled payments of principal and interest due on the term loan payable to the Company (see Note 6). The term loan agreement provides for the debt to be repaid over a period of twenty-two years, in annual installments. During the year ended December 31, 2023, the Board of Directors authorized a contribution of \$1,247,857 to enable the Plan to make its scheduled loan payment. The Company may also make discretionary contributions to fund the distributions for the repurchase of vested shares of terminated participants. For the year ended December 31, 2023, the discretionary contributions amounted to \$238,755.

Participant Accounts – The Plan is a defined contribution plan under which a separate individual account is established for each participant. Each eligible participant's account is credited as of the last day of each Plan year with an allocation of shares of the Company's common stock released by the Trustee from the Unallocated shares held in the trust, vested shares repurchased from terminated participants, unless such shares are redeemed by the Company, and forfeitures of terminated participants' nonvested accounts. Allocations of shares are based on the ratio of each participant's eligible compensation for that year to the total eligible compensation of all participants, subject to the maximum allocation limitation prescribed within the Plan document. Plan earnings are allocated to each participant's account based on the ratio of each participant's account balance to the total of all participants' account balances at the immediately preceding valuation date.

MACPHERSON'S  
EMPLOYEE STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 1 – DESCRIPTION OF THE PLAN (Continued)

Vesting – The participant's ownership in his or her account vests based on years of continuous service as measured from the inception of the Plan, as follows:

<u>Years of Vesting Service</u>	<u>Vesting Percentage</u>
Less than 2 years	0%
2	20%
3	40%
4	60%
5	80%
6 years or more	100%

Participants become 100% vested in their account balance without regard to years of service in the event of death, disability or retirement, as defined by the Plan, or if the Plan is terminated.

Forfeitures – If a participant's employment with the Company terminates prior to being vested, then the entire balance of his or her account will be forfeited at the time of termination. For a participant who is partially-vested, the unvested portion of the participant's account balance will be forfeited as of the last day of the Plan year in which the participant first incurs a break in service, as defined, or the date of the participant's distribution, if earlier.

Forfeitures are first used to reinstate accounts of former participants who meet the requirements to be reinstated in the Plan, and then allocated as employer contributions to the remaining participants. Forfeitures of terminated non-vested account balances totaled \$58,568 and \$49,344 during the years ended December 31, 2023 and 2022, respectively, and were fully allocated to remaining participants.

Payment of Benefits – In the event of a participant's death, total disability or retirement, distribution of the participant's account shall commence prior to December 31 following the Plan year in which his or her death, disability or retirement occurs. Normal retirement age is defined by the Plan as the later of (1) the participant's attainment of age 65 or (2) the participant's fifth anniversary of participation in the Plan. Distributions for other separations from service commence no later than the year after the fifth year following the separation from service. Distributions to a participant who attains 73 years of age in a calendar year and either terminated service, or is a 5% owner as defined by Section 416(i) of the Code, must commence no later than April 1<sup>st</sup> of the following calendar year and must be made in accordance with the regulations under the Code.

MACPHERSON'S  
EMPLOYEE STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 1 – DESCRIPTION OF THE PLAN (Continued)

Payment of Benefits (Continued) – Except for mandatory distributions as defined in the agreement, a participant or beneficiary may elect distributions as a lump sum, rollover, or in annual installments over five years, or any combination thereof. A participant's vested account balance equal to or less than \$1,000 will be distributed directly to the participant as a lump-sum payment as soon as administratively practicable following the end of the Plan year in which the participant separated from service.

Benefit payments to certain participants who terminated employment during 2023, and to certain participants who terminated prior to 2023, have been deferred in accordance with the Plan's provisions. These participants have a vested interest in approximately 196,000 of the Plan's allocated shares. These participants will no longer be eligible for future share allocations and the eventual payment of benefits will be determined by the future appraised fair value of the shares. As of December 31, 2023, the estimated deferred benefit payments are approximately \$3,381,000.

Under the provisions of the Plan, the Company is obligated to repurchase participant shares which have been distributed under the terms of the Plan as long as the shares are not publicly traded or are subject to trading limitations. During the year ended December 31, 2023, the Company paid a distribution of \$238,755 to certain eligible terminated participants, participants who have reached normal retirement age and participants who elected to diversify their investments to other eligible retirement accounts. With this distribution, 15,536 allocated shares were repurchased and immediately reallocated to active and eligible participants, therefore the number of allocated and unallocated shares was not changed.

Cash Dividends – Any cash dividends as declared by the Company's Board of Directors, payable on the Company's stock purchased with the proceeds of a loan are to be used first to repay any outstanding loan payable and accrued interest. To the extent there is no outstanding balance on the loan payable, such cash dividends may be used to purchase the Company's common stock to the extent available or to satisfy any general obligations of the Plan.

Diversification Rights – Diversification rights are provided to participants nearing retirement so that they may have the opportunity to move part of the value of their investment in Company common stock into other investments. Participants who have reached at least 55 years of age and have at least 10 years of participation in the Plan may elect to diversify a portion of their account balances. Diversification is offered to each eligible participant over a five-year period. In each of the first four years, the participant may diversify up to 25 percent of the number of shares allocated to his or her account, less any shares previously diversified. In the fifth year, the percentage changes to 50 percent.

MACPHERSON'S  
EMPLOYEE STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 1 – DESCRIPTION OF THE PLAN (Continued)

Diversification Rights (Continued) – Participants who elect to diversify will direct the Trustee to transfer that portion of his or her account to the investment option of the participant's election. During 2023, an eligible participant elected to diversify a portion of their account by transferring \$2,477 to the Art Supply Enterprises, Inc. 401(k) Profit Sharing Plan, an affiliated defined contribution plan also maintained by the Company.

Voting Rights – Each participant has the right to instruct the Trustee in the voting of shares allocated to his or her account with respect to any corporate matter involving the approval or disapproval of any corporate merger or consolidation, recapitalization, reclassification, liquidation, dissolution, sale of substantially all assets of a trade or business, or such similar transaction, as defined. The ESOP Committee will direct the Trustee to exercise the voting rights attributable to shares allocated to participant accounts for which it has not received valid voting instructions from the participant. On other matters requiring a vote of the shareholders, the ESOP Committee shall direct the Trustee to vote all Allocated shares. The ESOP Committee will also direct the Trustee to vote all Unallocated shares.

Put Option – Under Federal income tax regulations prescribed by the Code, the employer's stock held by the Plan and its participants which is not readily tradable on an established market shall include a put option. The put option provides the right to demand that the Company buy any shares of its stock distributed to participants for which there is no market. The put option permits the participant (or beneficiary) to sell Company stock to the Company at any time during two option periods, at the then current fair value. The first put option period runs for at least 60 days commencing on the date of distribution to the participant. The second put option period runs for at least 60 days commencing on the first day after the new determination of the fair value of the Company stock is made in the year subsequent to the distribution. Fair value is based on an appraisal performed no less than once annually by an independent person who customarily makes such appraisals. The purpose of the put option is to ensure that the participant has the ability to ultimately obtain cash.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The Plan's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

MACPHERSON'S  
EMPLOYEE STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the plan administrator to make estimates and assumptions that affect the reported amounts of assets, liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements. Significant estimates affecting the Plan's financial statements include the fair value of the Company's common stock. Actual results may differ from those estimates.

Investment Valuation and Income Recognition – The shares of the Company's common stock held in the Plan are stated at estimated fair value. Fair value is determined annually by an appraisal performed by a certified appraiser independent of the Company. At December 31, 2023 and 2022, the estimated fair value per share of the Company's common stock was \$17.28 and \$15.29, respectively. See Note 4 for further discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized gains and losses from security transactions are reported on the average cost method. Net appreciation or depreciation in the fair value of investments includes gains and losses on investments bought and sold as well as held during the year.

Payment of Benefits – Benefits are recorded when paid.

Administrative Expenses – Generally all expenses of maintaining the Plan are paid directly by the Company and are excluded from these financial statements.

NOTE 3 – ADMINISTRATION OF PLAN ASSETS

The Plan's assets at December 31, 2023 and 2022 consist principally of the Company's common stock and are held by the Trustee of the Plan.

The Company's contributions to the Plan are held and managed by the Trustee, who invests contributions received, interest and dividend income received, and makes distributions to participants. The Trustee also administers the payment of interest and principal on the term loan payable (see Note 6). Certain Plan administrative functions are performed by officers or employees of the Company. No officer or employee receives compensation from the Plan for such services. Administrative expenses for the Trustee fees are paid directly by the Company.

MACPHERSON'S  
EMPLOYEE STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 4 – FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access at the measurement date.

Level 2: Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The fair value of the Plan’s investment in the Company’s common stock is determined with Level 3 inputs and is valued based upon an independent appraisal using a combination of market and income valuation techniques which are substantially consistent with prior years. The appraiser considers the Company’s historical and projected cash flow and net income or loss, return on assets, return on equity, market comparables and estimated fair value of Company assets and liabilities.

MACPHERSON'S  
EMPLOYEE STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 4 – FAIR VALUE MEASUREMENTS (Continued)

The ESOP Committee determines the fair value measurement policies and procedures in consultation with the independent appraiser. Those policies and procedures are reassessed at least annually to determine if the current valuation techniques are still appropriate. At that time, the unobservable inputs used in the fair value measurements are evaluated and adjusted, as necessary, based on current market conditions and other third-party information.

This valuation methodology may produce a fair value estimation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value could result in a different fair value measurement at the reporting date.

The following table sets forth the basic assumptions and unobservable inputs used in arriving at fair value. There have been no significant changes in the Plan's valuation methodologies during 2023 and 2022.

Description	Fair Value 12/31/2023	Fair Value 12/31/2022	Valuation Techniques	Unobservable Inputs
Company Common Stock	\$15,293,897	\$13,532,620	Discounted Cash Flow Analysis	Cash flow forecast
				Weighted average cost of capital
				Sustainable growth rate
				Discount for lack of marketability
			Market Comparable Transactions (Transaction Method) in 2023	2024 and 2025 Projected EBITDA
				Market transaction multipliers
			Market Comparable Companies (Public Company and Merged and Acquired Methods) in 2022	2023 Projected EBITDA
				EBITDA multipliers
				Discount for lack of marketability

MACPHERSON'S  
EMPLOYEE STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 4 – FAIR VALUE MEASUREMENTS (Continued)

The change in fair value of the Plan's investment in Company common stock during the year ended December 31, 2023, is as follows:

Balance, January 1, 2023	\$ 13,532,620
Net Appreciation in Fair Value of Investments	<u>1,761,277</u>
Balance, December 31, 2023	<u><u>\$ 15,293,897</u></u>

Gains and losses (realized and unrealized) for the year ended December 31, 2023 are included in net appreciation in fair value of investments in the statement of changes in net assets (deficit) available for benefits.

NOTE 5 – INVESTMENTS

Investments held by the Plan consist of the following at December 31:

	<u>2023</u>		<u>2022</u>	
	<u>Allocated</u>	<u>Unallocated</u>	<u>Allocated</u>	<u>Unallocated</u>
Investment in Common Stock of Art Supply Enterprises, Inc.:				
Number of Shares	<u>604,743</u>	<u>280,321</u>	<u>565,122</u>	<u>319,942</u>
Cost	<u>\$ 13,302,012</u>	<u>\$ 6,165,980</u>	<u>\$ 12,430,504</u>	<u>\$ 7,037,490</u>
Fair Value	<u>\$ 10,449,950</u>	<u>\$ 4,843,947</u>	<u>\$ 8,640,696</u>	<u>\$ 4,891,924</u>

The Company has 885,064 shares of authorized common stock issued and outstanding at December 31, 2023 and 2022. All of the Company's issued and outstanding stock are held by the Plan.

MACPHERSON'S  
EMPLOYEE STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 6 – LOAN PAYABLE

In December 2010, the Plan entered into a term loan agreement with the Company to borrow \$21,996,140 to finance the purchase of all issued and outstanding shares of the Company's common stock, which amounted to 1,000,000 shares on that date.

The term loan agreement with the Company provides for the loan to be repaid over a period of twenty-two years. Annual payments of principal and interest are due on December 31<sup>st</sup> through 2032. The Plan may prepay the term loan in whole or in part at any time without penalty. The loan bears interest at an annual rate of 4.50%. The unallocated shares of Company common stock held by the Plan are pledged as collateral for the term loan.

The future minimum principal payments for the term loan payable are as follows:

<u>Years Ending December 31,</u>	
2024	\$ 879,846
2025	879,846
2026	879,846
2027	879,846
2028	879,846
Thereafter	<u>2,898,952</u>
	<u>\$ 7,298,182</u>

The loan payable balance as of December 31, 2023 and 2022 was \$7,298,182 and \$8,178,027, respectively. Interest expense incurred on the loan payable for the year ended December 31, 2023 amounted to \$368,011. During the year ended December 31, 2023, cash paid by the Plan for interest amounted to \$368,011 and for principal amounted to \$879,846.

NOTE 7 – TAX STATUS

The Plan received a determination letter from the Internal Revenue Service ("IRS") dated June 19, 2014, stating that the Plan is qualified and, therefore, the related ESOP is exempt from taxation. The Plan is required to operate in conformity with the Code to maintain its qualification. The determination letter covers all amendments made through January 1, 2013.

MACPHERSON'S  
EMPLOYEE STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 7 – TAX STATUS (Continued)

The ESOP Committee and the Plan's counsel believe that the Plan is designed and is currently being operated in compliance with the applicable requirements of the Code and, therefore, believe that the ESOP is tax-exempt. Accordingly, no provision for income taxes is reported in the Plan's financial statements.

Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by the Plan and recognize a tax liability if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the tax authorities. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

NOTE 8 – RELATED PARTY TRANSACTIONS

The Plan, through the ESOP Trust, holds the Company's common stock. The Company is the employer and plan sponsor. Therefore, all transactions with the Company qualify as party-in-interest transactions.

The Plan's recordkeeper, Principal Life Insurance Company, provides certain administrative services to the Plan, and therefore, these transactions qualify as party-in-interest transactions.

NOTE 9 – RISKS AND UNCERTAINTIES

The Plan's assets consist primarily of investment in the Company's common stock, which is exposed to various risks such as interest rate, market, and credit risks, as well as valuation assumptions based on estimated future earnings, cash flows and/or other such techniques. Market risks include global events which could impact the value of investment securities, such as a pandemic or international conflict. Due to the level of risk associated with the investment in the common stock and to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in the value of the Company's common stock will occur in the near term and that such changes could materially affect the amounts reported in the Statements of Net Assets (Deficit) Available for Benefits and in the Statement of Changes in Net Assets (Deficit) Available for Benefits.

MACPHERSON'S  
EMPLOYEE STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 10 – PLAN TERMINATION

The Company reserves the right to terminate the Plan at any time, subject to the Plan's provisions. Under these provisions, each participant's vested interest in the trust fund will be distributed to the participant or his or her beneficiary in the time frame prescribed by the Plan agreement and the Code. Upon termination of the Plan, the ESOP Committee shall direct the Trustee to pay all liabilities and expenses of the Plan and to sell shares of unallocated common stock to the extent it determines such sale to be necessary in order to repay the loan discussed in Note 6.

NOTE 11 – SUBSEQUENT EVENTS

The Plan's management has evaluated subsequent events through October 8, 2024, the date the Plan's financial statements were available to be issued.

SUPPLEMENTAL SCHEDULE

MACPHERSON'S  
EMPLOYEE STOCK OWNERSHIP PLAN

SCHEDULE H – LINE 4i: SCHEDULE OF ASSETS (HELD AT END OF YEAR)

FEIN: 94-1152693

Plan Number: 002

December 31, 2023

<u>(a)</u>	<u>(b) Identity of Issue, Borrower, Lessor, or Similar Party</u>	<u>(c) Description of Investment, Including Maturity Date, Rate of Interest, Collateral, Par, or Maturity Value</u>	<u>(d) Cost</u>	<u>(e) Current Value</u>
	<u>Private Company Common Stock</u>			
*	Art Supply Enterprises, Inc.	604,743 Allocated Shares, Common Stock	\$ 13,302,012	\$ 10,449,950
*	Art Supply Enterprises, Inc.	280,321 Unallocated Shares, Common Stock	<u>6,165,980</u>	<u>4,843,947</u>
		885,064 Total Shares, Common Stock	<u>\$ 19,467,992</u>	<u>\$ 15,293,897</u>

\* Indicates party-in-interest as defined by ERISA.