

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2023

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period From _____ to _____

Commission File Number 001-11048



ENVELA CORPORATION

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

Nevada
(STATE OF INCORPORATION)

88-0097334
(I.R.S. EMPLOYER IDENTIFICATION NO.)

1901 GATEWAY DRIVE , STE 100 , IRVING , TX 75038
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

(972) 587-4049
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

www.envela.com

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of exchange on which registered
COMMON STOCK, par value \$0.01 per share	ELA	NYSE American

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of November 8, 2023, the registrant had 26,700,000 shares of common stock outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

**ENVELA CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(Unaudited)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenue:				
Sales	\$ 36,266,271	\$ 45,197,686	\$ 134,958,838	\$ 135,252,502
Cost of goods sold	26,531,989	33,342,029	103,052,607	102,207,811
Gross margin	9,734,282	11,855,657	31,906,231	33,044,691
Expenses:				
Selling, General & Administrative Expenses	7,446,380	7,862,085	23,714,237	21,707,789
Depreciation and Amortization	337,713	534,964	1,028,238	1,106,427
Total operating expenses	7,784,093	8,397,049	24,742,475	22,814,216
Operating income	1,950,189	3,458,608	7,163,756	10,230,475
Other income	192,437	43,119	556,868	91,160
Interest expense	117,166	119,957	348,918	364,238
Income before income taxes	2,025,460	3,381,770	7,371,706	9,957,397
Income tax expense	317,967	64,061	1,534,187	144,605
Net income	\$ 1,707,493	\$ 3,317,709	\$ 5,837,519	\$ 9,812,792
Basic earnings per share:				
Net income	\$ 0.06	\$ 0.12	\$ 0.22	\$ 0.36
Diluted earnings per share:				
Net income	\$ 0.06	\$ 0.12	\$ 0.22	\$ 0.36
Weighted average shares outstanding:				
Basic	26,809,778	26,924,631	26,884,221	26,924,631
Diluted	26,824,778	26,939,631	26,899,221	26,939,631

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

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ENVELA CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2023 (unaudited)	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 17,305,389	\$ 17,169,969
Trade receivables, net of allowances	8,934,862	7,949,775
Notes receivable, net of allowances	-	578,250
Inventories	23,050,857	18,755,785
Prepaid expenses	1,065,955	1,231,817
Other current assets	76,030	35,113
Total current assets	50,433,093	45,720,709
Property and equipment, net	10,447,600	9,393,802
Right-of-use assets from operating leases	4,616,902	5,872,681
Goodwill	3,921,453	3,621,453
Intangible assets, net	4,475,120	4,993,545
Deferred tax asset	102,607	1,488,258
Other assets	201,446	186,761
Total assets	\$ 74,198,221	\$ 71,277,209
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable-trade	\$ 3,521,781	\$ 3,358,881
Notes payable	1,331,586	1,250,702
Operating lease liabilities	1,775,883	1,686,997
Accrued expenses	2,229,767	2,286,594
Customer deposits and other liabilities	566,567	282,482
Total current liabilities	9,425,584	8,865,656
Notes payable, less current portion	13,914,961	14,726,703
Operating lease liabilities, less current portion	3,022,058	4,368,400
Total liabilities	26,362,603	27,960,759
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$ 0.01 par value; 5,000,000 shares authorized; no shares issued and outstanding	-	-
Common stock, \$ 0.01 par value; 60,000,000 shares authorized; 26,924,631 shares issued and 26,700,000 shares outstanding as of September 30, 2023; 26,924,631 shares issued and outstanding as of December 31, 2022	269,246	269,246
Treasury stock at cost, 224,631 and 0 shares, as of September 30, 2023 and December 31, 2022, respectively	(1,318,351)	-
Additional paid-in capital	40,173,000	40,173,000
Retained earnings	8,711,723	2,874,204
Total stockholders' equity	47,835,618	43,316,450
Total liabilities and stockholders' equity	\$ 74,198,221	\$ 71,277,209

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

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ENVELA CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Nine Months Ended September 30,

	2023 (Unaudited)	2022 (Unaudited)
Operations		
Net income	\$ 5,837,519	\$ 9,812,792
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation, amortization, and other	1,028,239	1,106,427
Bad debt expense	400,493	73,418
Deferred taxes	1,385,651	-
Changes in operating assets and liabilities:		
Trade receivables	(1,385,580)	(97,994)
Inventories	(4,295,072)	(4,014,627)
Prepaid expenses	165,863	(1,213,187)
Intangible assets	-	(15,300)
Other assets	(55,601)	311,420
Accounts payable and accrued expenses	106,071	1,924,658
Operating leases	(1,677)	24,123
Customer deposits and other liabilities	284,085	(186,590)
Net cash provided by operations	3,469,991	7,725,140
Investing		
Purchase of property and equipment	(1,563,612)	(227,197)
Investment in note receivable	578,250	-
Acquisition of Steven Kretchmer, Inc.	(300,000)	-
Adjustment to the purchase price of the Avail Transaction	-	(216,988)
Net cash used in investing	(1,285,362)	(444,185)
Financing		
Payments on notes payable	(930,858)	(750,347)
Purchase of treasury stock	(1,318,351)	-
Proceeds from note payable, Steven Kretchmer, Inc. acquisition	200,000	-
Payments on line of credit	-	(1,700,000)
Net cash used in financing	(2,049,209)	(2,450,347)
Net change in cash and cash equivalents	135,420	4,830,608
Cash and cash equivalents, beginning of period	17,169,969	10,138,148
Cash and cash equivalents, end of period	\$ 17,305,389	\$ 14,968,756
Supplemental Disclosures		
Cash paid during the period for:		
Interest	\$ 349,747	\$ 372,819
Income taxes	\$ 196,165	\$ 133,000
Non cash activities		
Adjustment to the Avail Transaction purchase price allocation	\$ -	\$ 2,736,000

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

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ENVELA CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Three Months ended September 30, 2022 and 2023
(Unaudited)

	Common Stock		Treasury Stock		Preferred Stock		Additional	Accumulated	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Paid-in	Deficit	Stockholders'
							Capital		Equity
Balances at July 1, 2022	26,924,631	\$ 269,246	-	\$ -	-	\$ -	\$ 40,173,000	\$ (6,319,846)	\$ 34,122,400
Net Income	-	-	-	-	-	-	-	3,317,709	3,317,709
Balances at September 30, 2022	<u>26,924,631</u>	<u>\$ 269,246</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 40,173,000</u>	<u>\$ (3,002,137)</u>	<u>\$ 37,440,109</u>
	Common Stock		Treasury Stock		Preferred Stock		Additional	Retained	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Paid-in	Earnings	Stockholders'
							Capital		Equity
Balances at July 1, 2023	26,924,631	\$ 269,246	(27,421)	\$ (194,820)	-	\$ -	\$ 40,173,000	\$ 7,004,230	\$ 47,251,656
Net Income	-	-	-	-	-	-	-	1,707,493	1,707,493
Shares repurchased	-	-	(197,210)	(1,123,531)	-	-	-	-	(1,123,531)
Balances at September 30, 2023	<u>26,924,631</u>	<u>\$ 269,246</u>	<u>(224,631)</u>	<u>\$ (1,318,351)</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 40,173,000</u>	<u>\$ 8,711,723</u>	<u>\$ 47,835,618</u>

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

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ENVELA CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Nine Months ended September 30, 2022 and 2023
(Unaudited)

	<u>Common Stock</u>		<u>Treasury Stock</u>		<u>Preferred Stock</u>		<u>Additional</u>	<u>Accumulated</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Paid-in</u>	<u>Deficit</u>	<u>Stockholders'</u>
							<u>Capital</u>		<u>Equity</u>
Balances at January 1, 2022	26,924,631	\$ 269,246	-	\$ -	-	\$ -	\$ 40,173,000	\$ (12,814,929)	\$ 27,627,317
Net Income	-	-	-	-	-	-	-	9,812,792	9,812,792
Balances at September 30, 2022	<u>26,924,631</u>	<u>\$ 269,246</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 40,173,000</u>	<u>\$ (3,002,137)</u>	<u>\$ 37,440,109</u>
	<u>Common Stock</u>		<u>Treasury Stock</u>		<u>Preferred Stock</u>		<u>Additional</u>	<u>Retained</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Paid-in</u>	<u>Earnings</u>	<u>Stockholders'</u>
							<u>Capital</u>		<u>Equity</u>
Balances at January 1, 2023	26,924,631	\$ 269,246	-	\$ -	-	\$ -	\$ 40,173,000	\$ 2,874,204	\$ 43,316,450
Net Income	-	-	-	-	-	-	-	5,837,519	5,837,519
Shares repurchased	-	-	(224,631)	(1,318,351)	-	-	-	-	(1,318,351)
Balances at September 30, 2023	<u>26,924,631</u>	<u>\$ 269,246</u>	<u>(224,631)</u>	<u>(1,318,351)</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 40,173,000</u>	<u>\$ 8,711,723</u>	<u>\$ 47,835,618</u>

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

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)**

NOTE 1 — BASIS OF PRESENTATION

These unaudited interim condensed consolidated financial statements of Envela Corporation, a Nevada corporation, and its subsidiaries (together with its subsidiaries, the “Company” or “Envela”), included herein have been prepared in accordance with accounting principles generally accepted in the U.S. for interim financial information and with the instructions to Quarterly Reports on Form 10-Q and Article 10 of Regulation S-X prescribed by the Securities and Exchange Commission (the “SEC”). Pursuant to the SEC’s rules and regulations, they do not include all of the information and notes required by accounting principles generally accepted in the U.S. (“U.S. GAAP”) for complete financial statements. In the opinion of management, all adjustments, which are of a normal and recurring nature except those which have been disclosed elsewhere in this Quarterly Report on Form 10-Q (this “Form 10-Q”), necessary for a fair presentation of the consolidated financial statements for these interim periods, have been included. Operating results presented for these interim periods are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2023 (“fiscal 2023”). For further information, refer to the consolidated financial statements and notes thereto included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (“fiscal 2022”) of Envela filed with the SEC on March 16, 2023 (the “2022 Annual Report”).

Contemporaneously with filing our Quarterly Report Form 10-Q for the period ending March 31, 2023, we updated our two reportable segments by renaming the ECHG segment the “Commercial” segment and the DGSE segment the “Consumer” segment. The segment name changes did not result in any change to the composition of the Company’s operations and therefore did not result in any change to the historical results. Our operations conducted by each of our segments are more specifically described in the following notes to our condensed consolidated financial statements.

Starting January 1, 2023, expenses previously classified as other expenses related to the Company’s corporate campus overhead have been included in selling, general, and administrative expenses. Since the presentation of these expenses changed January 1, 2023, management believes the presentation of the 2022 corporate campus overhead should be reclassified to selling, general, and administrative expense for comparison purposes for the three and nine months ended September 30, 2022.

The preparation of interim condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

NOTE 2 — PRINCIPLES OF CONSOLIDATION AND NATURE OF OPERATIONS

Envela and its subsidiaries engage in diverse business activities within the recommerce sector. These activities include being one of the nation’s premier authenticated recommerce retailers of luxury hard assets; providing end-of-life asset recycling and resale to businesses, organization and retail consumers; offering data destruction and IT asset management; and providing products, services and solutions to industrial and commercial companies. Envela operates primarily via two operating and reportable segments. Our consumer segment, formerly known as the DGSE segment, operates DGSE, LLC (“DGSE”), Dallas Gold & Silver Exchange, Charleston Gold & Diamond Exchange, Steven Kretchmer, Inc. (“Kretchmer”) and Bullion Express brands. Our commercial segment, formerly known as the ECHG segment, operates ECHG, LLC (“ECHG”), Echo Environmental Holdings, LLC (“Echo”), ITAD USA Holdings, LLC (“ITAD USA”), Teladvance, LLC (“Teladvance”), CEX Holdings, LLC (“CEX”) and Avail Recovery Solutions, LLC (“Avail”). Envela is a Nevada corporation, headquartered in Irving, Texas.

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On September 12, 2023, the Company purchased all of the issued and outstanding stock of Steven Kretchmer, Inc., an Arizona corporation for 300,000 (the "Kretchmer Transaction"). Based on the terms of the purchase, the Company has concluded the Kretchmer Transaction represents a business combination pursuant to Financial Accounting Standards Board Accounting Standards Codification Topic 805, Business Combinations, or ASC 805. The Kretchmer Transaction will be incorporated into the consumer segment. See Note 3 for additional information.

Our consumer segment primarily buys and resells or recycles luxury hard assets like jewelry, diamonds, gemstones, fine watches, rare coins and related collectibles, precious-metal bullion products, gold, silver and other precious-metals. We currently operate seven jewelry stores at both the retail and wholesale levels throughout the United States via its facilities in Texas and South Carolina. The Company purchased a new retail building in Arizona, but has not commenced operations as of September 30, 2023. The consumer segment is continuing to promote and build the Bullion Express brand into a leading on-line seller of bullion. Buying and selling items for their precious-metals content is a major method by which we are marketing our brands. The consumer segment also offers jewelry repair services, custom-made jewelry and consignment items, and maintains relationships with refiners for precious-metal items that are not retained for resale. We also maintain a presence in retail markets through websites, www.dgse.com, www.cgdeinc.com, www.stevenkretchmer.com and www.bullionexpress.com.

Our commercial segment primarily buys electronic components from business and other organizations, such as school districts, for end-of-life recycling and resell, or to add life to electronic devices by data destruction and refurbishment for reuse. We also recycle and resell electronics at the retail level. We focus on end-of-life electronics recycling and sustainability, and ITAD USA provides IT equipment disposition, including compliance and data sanitization services. Teladvance, CEX and Avail operate as value-added resellers by providing offerings and services to companies looking either to upgrade capabilities or dispose of equipment. Like the consumer segment, the commercial segment also maintains relationships with refiners or recyclers to which it sells valuable materials it extracts from electronics and IT equipment that are not appropriate for resale or reuse. The commercial segment's customers are companies and organizations that are based domestically and internationally.

For additional information on the businesses of both the consumer and commercial segments, see "Item 1. Business – Operating Segments" in the Company's 2022 Annual Report.

The interim condensed consolidated financial statements have been prepared in accordance with U.S. GAAP and include the accounts of the Company and its subsidiaries. All material intercompany transactions and balances have been eliminated.

NOTE 3 — ACCOUNTING POLICIES AND ESTIMATES

Financial Instruments

The carrying amounts reported in the condensed consolidated balance sheets for cash equivalents, trade receivables, prepaid expenses, other current assets, accounts payable, accrued expenses, customer deposits and other liabilities approximate fair value because of the immediate or short-term nature of these financial instruments. Notes payable approximate fair value due to the market interest rate charged.

Earnings Per Share

Basic earnings per share of our common stock, par value \$ 0.01 per share (our "Common Stock"), is computed by dividing net earnings available to holders of the Company's Common Stock by the weighted average number of shares of Common Stock outstanding for the reporting period. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts requiring the Company to issue Common Stock were exercised or converted into Common Stock. For the calculation of diluted earnings per share, the basic weighted average number of shares is increased by the dilutive effect of stock options and warrants outstanding determined using the treasury stock method.

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Goodwill

Goodwill is not amortized but evaluated for impairment on an annual basis during the fourth quarter of our fiscal year, or earlier if events or circumstances indicate the carrying value may be impaired. The Company's goodwill is related to both of Envela's segments. See Note 5 – Goodwill, for the further allocation of goodwill. Both segments have their own, separate financial information to perform goodwill impairment testing. As a result of the current market and economic conditions related to surging inflation and the wars in Eastern Europe and the Middle East, in accordance with step 1 of the guidelines set forth in the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") 350-20-35-3A, management concluded there were no impairments of goodwill that resulted from those triggering events for the three and nine months ended September 30, 2023. Management will continue to evaluate goodwill for the commercial and consumer segments. For tax purposes, goodwill generated from asset purchases is amortized and deductible over fifteen years. Goodwill generated from the Kretchmer transaction classified as a stock purchase, is not deductible for tax purposes.

Goodwill was allocated in connection with three commercial segment acquisitions of assets, and one acquisition made by the consumer segment. The acquisitions by the commercial segment consist of the assets now held by Echo on May 20, 2019 (the "Echo Transaction"), of the assets now held by Teladvance on June 9, 2021 (the "CEExchange Transaction") and of the assets now held by Avail on October 29, 2021 (the "Avail Transaction"). The preliminary goodwill associated with the Avail Transaction was \$ 3,491,285 , which was the initial purchase price less the approximate fair value of the net assets purchased. On May 31, 2022, an additional cash payment was made of \$ 216,988 due to certain conditions being met concerning the cash balance upon a certain date. The cash payment increased goodwill for the Avail Transaction to \$ 3,708,273 . During fiscal year 2022 management also identified \$2,736,000 of intangibles that were not initially included in the fair value of Avail's net assets. The separation of intangibles reduced the Avail Transaction goodwill to \$ 972,272 . As part of the Kretchmer Transaction, the consumer segment recorded goodwill of \$ 300,000 as part of the initial purchase price allocation, which has not been finalized. There have been no other adjustments or impairment charges to goodwill. As of September 30, 2023, and December 31, 2022, goodwill as reported in the condensed consolidated balance sheets were \$ 3,921,453 and \$ 3,621,453 , respectively.

Reclassifications

Prior period amounts included in current assets, for both right-of-use assets from operating leases and deferred tax asset, have been reclassified for current period presentation, to be included in non-current assets. The right-of-use assets from operating leases reclassified for December 31, 2022, amounted to 2.4% of the total assets at \$1,683,060. The deferred tax asset reclassified for December 31, 2022, amounted to 2.0% of the total assets at \$1,488,258 .

Recent Accounting Pronouncements

In June 2016, the FASB issued a new credit loss accounting standard ASU 2016-13. The new accounting standard introduces the current expected credit losses methodology for estimating allowances for credit losses which will be based on expected losses rather than incurred losses. We will be required to use a forward-looking expected credit loss methodology for accounts receivable, loans and other financial instruments. The ASU is effective for the fiscal years beginning after December 15, 2022. We adopted this ASU as of January 1, 2023, which includes interim periods within the reporting period. ASU 2016-13 was adopted by using a modified retrospective transition approach to align our credit loss methodology with the new standard. There were no effects of this standard on our financial position, results of operations or cash flows.

There were no other new accounting standards that had a material impact on the Company's consolidated financial statements during the three and nine-month periods ended September 30, 2023. There were no other new accounting standards or pronouncements that were issued but not yet effective as of September 30, 2023 that the Company expects to have a material impact on its consolidated financial statements.

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NOTE 4 — INVENTORIES

A summary of inventories is as follows:

	September 30, 2023	December 31, 2022
<u>Consumer</u>		
Resale	\$ 21,517,831	\$ 16,462,749
Recycle	-	46,697
Subtotal	<u>21,517,831</u>	<u>16,509,446</u>
<u>Commercial</u>		
Resale	1,089,567	1,858,519
Recycle	<u>443,459</u>	<u>387,820</u>
Subtotal	<u>1,533,026</u>	<u>2,246,339</u>
	<u>\$ 23,050,857</u>	<u>\$ 18,755,785</u>

NOTE 5 — GOODWILL

The change in goodwill is as follows:

	September 30, 2023	December 31, 2022
Opening balance	\$ 3,621,453	\$ 6,140,465
Additions/(Reductions) (1)	<u>300,000</u>	<u>(2,519,012)</u>
Goodwill	<u>\$ 3,921,453</u>	<u>\$ 3,621,453</u>

(1) The reduction in goodwill of \$ 2,519,012 for fiscal 2022, is a combination of an additional cash payment made on May 31, 2022 of \$ 216,988 , increasing goodwill for the Avail Transaction, offset by the effect of identifying \$ 2,736,000 of intangible assets that was not initially included in the fair value of Avail's net assets, reducing goodwill and increasing intangible assets. The increase in goodwill of \$ 300,000 , for the three and nine months ended September 30, 2023, is the addition from the Kretchmer Transaction. Goodwill was initially recorded at \$ 300,000 , and adjustments will be made once assets and liabilities are evaluated and quantified. There have been no other adjustments or impairment charges to goodwill for the three and nine months ended September 30, 2023.

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NOTE 6 — PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	September 30, 2023	December 31, 2022
Consumer		
Land	\$ 1,824,892	\$ 1,640,219
Building and improvements	3,859,052	2,798,975
Leasehold improvements	1,450,695	1,450,695
Machinery and equipment	1,149,891	1,078,595
Furniture and fixtures	656,817	603,944
Vehicles	22,859	22,859
	<u>8,964,206</u>	<u>7,595,287</u>
Less: accumulated depreciation	<u>(2,878,117)</u>	<u>(2,651,832)</u>
Sub-Total	<u>6,086,089</u>	<u>4,943,455</u>
Commercial		
Building and improvements	151,647	151,647
Machinery and equipment	1,098,098	1,082,026
Vehicles	222,832	98,610
Furniture and fixtures	145,950	145,950
	<u>1,618,527</u>	<u>1,478,233</u>
Less: accumulated depreciation	<u>(742,725)</u>	<u>(515,673)</u>
Sub-Total	<u>875,802</u>	<u>962,560</u>
Corporate		
Land	1,106,664	1,106,664
Building and improvements	2,502,216	2,502,216
Computer software	54,398	-
Machinery and equipment	28,627	28,627
	<u>3,691,905</u>	<u>3,637,507</u>
Less: accumulated depreciation	<u>(206,196)</u>	<u>(149,720)</u>
Sub-Total	<u>3,485,709</u>	<u>3,487,787</u>
	<u>\$ 10,447,600</u>	<u>\$ 9,393,802</u>

On May 4, 2023, the consumer segment closed the purchase of a new retail building located at 6030 North 19th Avenue in Phoenix, Arizona for \$ 1,231,150 . During the three months ended September 30, 2023, \$ 184,673 of the purchase price, was allocated to the land. The purchase was paid through operating cash flow without the use of borrowed funds. As of September 30, 2023, the building has not been placed into service. Once the new location is placed into service, the building will begin to be depreciated.

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NOTE 7 — INTANGIBLE ASSETS

Intangible assets consist of the following:

	September 30, 2023	December 31, 2022
Consumer		
Domain names	\$ 41,352	\$ 41,352
Point of sale system	330,000	330,000
	<u>371,352</u>	<u>371,352</u>
Less: accumulated amortization	<u>(362,602)</u>	<u>(335,502)</u>
Subtotal	<u>8,750</u>	35,850
Commercial		
Trademarks (1)	1,483,000	1,483,000
Customer Contracts (1)	1,873,000	1,873,000
Trademarks/Tradenames (2)	114,000	114,000
Customer Relationships (2)	345,000	345,000
Trademarks/Tradenames (3)	1,272,000	1,272,000
Customer Relationships (3)	1,464,000	1,464,000
	<u>6,551,000</u>	<u>6,551,000</u>
Less: accumulated amortization	<u>(2,084,630)</u>	<u>(1,593,305)</u>
Subtotal	<u>4,466,370</u>	4,957,695
	<u>\$ 4,475,120</u>	<u>\$ 4,993,545</u>

(1) Intangibles relate to the Echo Transaction on May 20, 2019.

(2) Intangibles relate to the CExchange Transaction on June 9, 2021.

(3) Intangibles relate to the Avail Transaction on October 29, 2021.

The following table outlines the estimated future amortization expense related to intangible assets held as of September 30, 2023:

	Consumer	Commercial	Total
2023 (excluding the nine months ending September 30, 2023)	3,250	163,775	167,025
2024	5,500	655,100	660,600
2025	-	655,100	655,100
2026	-	655,100	655,100
2027	-	655,100	655,100
Thereafter	-	1,682,195	1,682,195
	<u>\$ 8,750</u>	<u>\$ 4,466,370</u>	<u>\$ 4,475,120</u>

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NOTE 8— ACCRUED EXPENSES

Accrued expenses consist of the following:

	September 30, 2023	December 31, 2022
Consumer		
Accrued interest	\$ 11,508	\$ 11,624
Payroll	103,958	146,817
Property taxes	214,474	115,222
Sales tax	60,982	153,039
Other administrative expenss	-	424
Subtotal	390,922	427,126
Commercial		
Accrued interest	7,985	8,228
Payroll	187,587	336,226
Unvouchered payables - inventory/COGS	1,185,907	1,032,808
Other accrued expenses	118,201	7,392
Subtotal	1,499,680	1,384,654
Corporate		
Accrued interest	7,072	7,543
Payroll	12,796	25,179
Professional fees	134,049	199,508
Property Tax	64,555	87,275
Federal & state Income tax	120,693	155,309
Subtotal	339,165	474,814
	\$ 2,229,767	\$ 2,286,594

NOTE 9 — SEGMENT INFORMATION

As stated in Note 1 – Basis of Presentation, we updated our two reportable segments by renaming the ECHG segment to the “Commercial” segment and the DGSE segment to the “Consumer” segment. The segment name changes did not result in any change to the composition of the Company's operations and therefore did not result in any changes to historical results. Our operations conducted by each of our segments are more specifically described below.

We determine our business segments based upon an internal reporting structure. The Company's financial performance is based on the following segments: consumer and commercial.

The consumer segment includes Dallas Gold & Silver Exchange, which has six operating retail stores in the Dallas/Fort Worth Metroplex (“DFW”), one retail location in Mt. Pleasant, South Carolina and one location in Phoenix, Arizona, as stated in a footnote to Note 6 – Property and Equipment, which has not yet been placed in service. Kretchmer has one retail location in Scottsdale, Arizona. The consumer segment also operates the on-line Bullion Express brand.

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The commercial segment includes Echo, ITAD USA, Teladvance, CEX and Avail. These five companies are involved in recycling and the reuse of electronic components.

A portion of certain corporate costs and expenses is allocated, including information technology as well as rental income and expenses relating to our corporate headquarters, to the business segments. These income and expenses are included in selling, general and administrative ("SG&A") expenses, depreciation and amortization, other income, interest expense and income tax expense. The management team evaluates each segment and makes decisions about the allocation of resources according to each segment's profit. Allocation amounts are generally agreed upon by management and may differ from arms-length allocations.

The following separates the consumer and the commercial financial results of operations for the three months ended September 30, 2023 and 2022:

	For The Three Months Ended September 30,					
	2023			2022		
	Consumer	Commercial	Consolidated	Consumer	Commercial	Consolidated
Revenue:						
Sales	\$26,881,202	\$ 9,385,069	\$ 36,266,271	\$30,427,254	\$14,770,432	\$ 45,197,686
Cost of goods sold	23,291,939	3,240,050	26,531,989	26,677,891	6,664,138	33,342,029
Gross profit	3,589,263	6,145,019	9,734,282	3,749,363	8,106,294	11,855,657
Expenses:						
Selling, general and administrative expenses (1)	2,588,628	4,857,752	7,446,380	2,369,588	5,492,497	7,862,085
Depreciation and amortization	75,842	261,871	337,713	103,022	431,942	534,964
	2,664,470	5,119,623	7,784,093	2,472,610	5,924,439	8,397,049
Operating income	924,793	1,025,396	1,950,189	1,276,753	2,181,855	3,458,608
Other income/expense:						
Other income (1)	22,851	169,586	192,437	5,957	37,162	43,119
Interest expense	59,631	57,535	117,166	60,619	59,338	119,957
Income before income taxes	888,013	1,137,447	2,025,460	1,222,091	2,159,679	3,381,770
Income tax expense	120,637	197,330	317,967	20,243	43,818	64,061
Net income	\$ 767,376	\$ 940,117	\$ 1,707,493	\$ 1,201,848	\$ 2,115,861	\$ 3,317,709

(1) Starting January 1, 2023, expenses previously classified as other expenses related to the Company's corporate campus overhead have been included in selling, general, and administrative expenses. Since the presentation of these expenses changed January 1, 2023, management believes the presentation of the 2022 corporate campus overhead should be reclassified to selling, general, and administrative expense for comparison purposes for the three months ended September 30, 2022. No other presentation changes have been made to prior periods.

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The following separates the consumer and the commercial financial results of operations for the nine months ended September 30, 2023 and 2022:

	For The Nine Months Ended September 30,					
	2023			2022		
	Consumer	Commercial	Consolidated	Consumer	Commercial	Consolidated
Revenue:						
Sales	\$103,227,033	\$ 31,731,805	\$ 134,958,838	\$96,549,253	\$38,703,249	\$135,252,502
Cost of goods sold	91,558,160	11,494,447	103,052,607	84,387,844	17,819,967	102,207,811
Gross profit	11,668,873	20,237,358	31,906,231	12,161,409	20,883,282	33,044,691
Expenses:						
Selling, general and administrative expenses (1)	7,457,628	16,256,609	23,714,237	6,803,054	14,904,735	21,707,789
Depreciation and amortization	253,385	774,853	1,028,238	311,419	795,008	1,106,427
	7,711,013	17,031,462	24,742,475	7,114,473	15,699,743	22,814,216
Operating income	3,957,860	3,205,896	7,163,756	5,046,936	5,183,539	10,230,475
Other income/expense:						
Other income (1)	70,315	486,553	556,868	29,970	61,190	91,160
Interest expense	177,458	171,460	348,918	183,523	180,715	364,238
Income before income taxes	3,850,717	3,520,989	7,371,706	4,893,383	5,064,014	9,957,397
Income tax expense	778,150	756,037	1,534,187	48,811	95,794	144,605
Net income	\$ 3,072,567	\$ 2,764,952	\$ 5,837,519	\$ 4,844,572	\$ 4,968,220	\$ 9,812,792

(1) Starting January 1, 2023, expenses previously classified as other expenses related to the Company's corporate campus overhead have been included in selling, general, and administrative expenses. Since the presentation of these expenses changed January 1, 2023, management believes the presentation of the 2022 corporate campus overhead should be reclassified to selling, general, and administrative expense for comparison purposes for the nine months ended September 30, 2022. No other presentation changes have been made to prior periods.

NOTE 10 — REVENUE RECOGNITION

ASC 606 provides guidance to identify performance obligations for revenue-generating transactions. The initial step is to identify the contract with a customer created with the sales invoice or a repair ticket. The second step is to identify the performance obligations in the contract as we promise to deliver the purchased item or promised repairs in return for payment or future payment as a receivable. The third step is determining the transaction price of the contract obligation as in the full ticket price, negotiated price or a repair price. The next step is to allocate the transaction price to the performance obligations as we designate a separate price for each item. The final step in the guidance is to recognize revenue as each performance obligation is satisfied.

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The following disaggregation of total revenue is listed by sales category and segment for the three months ended September 30, 2023 and 2022:

CONSOLIDATED	Three Months Ended September 30,					
	2023			2022		
	Revenues	Gross Profit	Margin	Revenues	Gross Profit	Margin
<u>Consumer</u>						
Resale	\$23,807,040	\$2,791,390	11.7%	\$28,172,732	\$ 3,251,153	11.5%
Recycled	3,074,162	797,873	26.0%	2,254,522	498,210	22.1%
Subtotal	26,881,202	3,589,263	13.4%	30,427,254	3,749,363	12.3%
<u>Commercial</u>						
Resale	6,990,285	4,802,548	68.7%	11,518,168	6,465,386	56.1%
Recycled	2,394,784	1,342,471	56.1%	3,252,264	1,640,908	50.5%
Subtotal	9,385,069	6,145,019	65.5%	14,770,432	8,106,294	54.9%
	<u>\$36,266,271</u>	<u>\$9,734,282</u>	<u>26.8%</u>	<u>\$45,197,686</u>	<u>\$11,855,657</u>	<u>26.2%</u>

The following disaggregation of total revenue is listed by sales category and segment for the nine months ended September 30, 2023 and 2022:

CONSOLIDATED	Nine Months Ended September 30,					
	2023			2022		
	Revenues	Gross Profit	Margin	Revenues	Gross Profit	Margin
<u>Consumer</u>						
Resale	\$ 94,172,640	\$ 9,450,156	10.0%	\$ 90,014,891	\$10,713,959	11.9%
Recycled	9,054,393	2,218,717	24.5%	6,534,362	1,447,450	22.2%
Subtotal	103,227,033	11,668,873	11.3%	96,549,253	12,161,409	12.6%
<u>Commercial</u>						
Resale	23,114,611	15,653,011	67.7%	30,200,026	16,606,161	55.0%
Recycled	8,617,194	4,584,347	53.2%	8,503,223	4,277,121	50.3%
Subtotal	31,731,805	20,237,358	63.8%	38,703,249	20,883,282	54.0%
	<u>\$134,958,838</u>	<u>\$31,906,231</u>	<u>23.6%</u>	<u>\$135,252,502</u>	<u>\$33,044,691</u>	<u>24.4%</u>

For the consumer segment, revenue for monetary transactions (i.e., cash and receivables) with wholesale dealers and the retail public are recognized when the merchandise is delivered, and payment has been made either by immediate payment or through a receivable obligation at one of our over-the-counter retail stores. Revenue is recognized upon the shipment of goods when retail and wholesale customers have fulfilled their obligation to pay, or promise to pay, through e-commerce or phone sales. Shipping and handling costs are accounted for as fulfillment costs after the customer obtains control of the goods.

Crafted-precious-metal items at the end of their useful lives are sold for its precious metal contained. The metal is assayed to determine the precious metal content, a price is agreed upon and payment is made usually within two days. Revenue is recognized from the sale once the performance obligation is satisfied.

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In limited circumstances, merchandise is exchanged for similar merchandise and/or monetary consideration with both dealers and retail customers, for which revenue is recognized in accordance with ASC 845, Nonmonetary Transactions. When merchandise is exchanged for similar merchandise and there is no monetary component to the exchange, there is no revenue recognized. Instead, the basis of the merchandise relinquished becomes the basis of the merchandise received, less any indicated impairment of value of the merchandise relinquished. When merchandise is exchanged for similar merchandise and there is a monetary component to the exchange, revenue is recognized to the extent of the monetary assets received that determines the cost of sale based on the ratio of monetary assets received to monetary and non-monetary assets received multiplied by the cost of the assets surrendered.

The Company offers the option of third-party financing for customers wishing to borrow money for the purchase. The customer applies on-line with the third party and upon going through the credit check will be approved or denied. If accepted, the customer is allowed to purchase according to the limits set by the finance company. Revenue is recognized from the sale upon the promise of the financing company to pay.

Our return policy covers retail transactions. In some cases, customers may return a product purchased within 30 days of the receipt of the items for a full refund. Also, in some cases customers may cancel the sale within 30 days of making a commitment to purchase the items. Additionally, a customer may return an item for full refund if they can demonstrate that the item is not authentic, or there was an error in the description of the piece. Returns are accounted for as a reversal of the original transaction, with the effect of reducing revenues, and cost of sales, and returning the merchandise to inventory. The consumer segment has established an allowance for estimated returns based on our review of historical returns experience and reduces our reported revenues and cost of sales accordingly. For the three and nine months ended September 30, 2023 and 2022, the allowance for returns remained the same at approximately \$ 28,000 .

A significant amount of revenue stems from sales to two precious metal refining and bullion partners. One partner constitutes 27.2 % and 25.3 % of the revenues for the three and nine months ended September 30, 2023, respectively. The second partner constitutes 11 % and 9.9 % of the revenues for the three and nine months ended September 30, 2023, respectively. However, the Company believes that the products it sells are marketable to numerous sources at competitive prices.

The commercial segment has several revenue streams and recognizes revenue according to ASC 606 at an amount that reflects the consideration to which the entities expect to be entitled in exchange for transferring goods or services to the customer. The revenue streams are as follows:

Outright sales are recorded when product is shipped and title transferred. Once the price is established and the terms are agreed to and the product is shipped and title is transferred, the revenue is recognized. The commercial segment has fulfilled its performance obligation with an agreed upon transaction price, payment terms and shipping the product.

We recognize refining revenue when our inventory arrives at the destination port and the performance obligation is satisfied by transferring control of the promised goods that are identified in the customer contract. The initial invoice is recognized in full when our performance obligation is satisfied, as stated in the first sentence. Under the guidance of ASC 606, an estimate of the variable consideration that is expected to be entitled is included in the transaction price stated at the current precious metal spot price and weight of the precious metal. An adjustment to revenue is made in the period once the underlying weight and any precious metal spot price movement is resolved, which is usually around six (6) weeks. Any adjustment from the resolution of the underlying uncertainty is netted with the settlement due from the original contract.

The commercial segment also provides recycling services according to a Scope of Work ("SOW"). Services are recognized based on the number of units processed by a preset price per unit. Activity reports are produced weekly with the counts and revenue is recognized based on the billing from the weekly reports. Recycling services can be conducted at our facility, or they can be performed at the client's facility. The SOW will determine the charges and whether the service will be completed at our facility or at the client's facility. Payment terms are also dictated in the SOW.

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Accounts Receivable: We record trade receivables when revenue is recognized. The new accounting standard introduces a new expected credit losses methodology for estimating allowances for credit losses which is based on expected losses rather than incurred losses. We are required to use a forward-looking expected credit loss methodology for accounts receivable. This new methodology is effective for the fiscal years beginning January 1, 2023. We will record an allowance for doubtful accounts, which is primarily determined by an analysis of our trade receivables aging, using the new expected losses methodology. The allowance is determined based on historical experience of collecting past due amounts, based on the degree of their aging. In addition, specific accounts that are considered and expected to be uncollectable are included in the allowance. These provisions are reviewed to determine the adequacy of the allowance for doubtful accounts. Trade receivables are charged off when there is certainty as to their being uncollectible. Trade receivables are considered delinquent when payment has not been made within contract terms. The consumer segment had no allowance for doubtful accounts balance as of September 30, 2023 and December 31, 2022. Some of the commercial segment's customers are on payment terms, and although low risk, occasionally the need may arise to record an allowance for receivables that are deemed high risk using the new expected loss methodology. The commercial segment's allowance for doubtful accounts, as of September 30, 2023 and December 31, 2022 was \$ 207,462 and \$ 51,734 , respectively. The increase in allowance for doubtful accounts ending September 30, 2023, as compared to December 31, 2022 is primarily due to the new forward looking methodology of estimating future expected losses.

Income Taxes: Income taxes are accounted for under the asset and liability method prescribed by ASC 740, Income Taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets unless it is more likely than not such assets will be realized. During fiscal 2022, management determined that it was more likely than not that the deferred tax assets could be utilized in the future. As of September 30, 2023, the Company had a deferred tax asset of \$ 102,607 with \$ 0 offsetting valuation allowance. As of December 31, 2022, the Company had a deferred tax asset of \$ 1,488,258 with an offsetting valuation allowance of \$ 0 .

We account for our position in tax uncertainties in accordance with ASC 740, Income Taxes. The guidance establishes standards for accounting for uncertainty in income taxes. The guidance provides several clarifications related to uncertain tax positions. Most notably, a "more likely-than-not" standard for initial recognition of tax positions, a presumption of audit detection and a measurement of recognized tax benefits based on the largest amount that has a greater than 50 percent likelihood of realization. The guidance applies a two-step process to determine the amount of tax benefit to be recognized in the financial statements. First, we must determine whether any amount of the tax benefit may be recognized. Second, we determine how much of the tax benefit should be recognized (this would only apply to tax positions that qualify for recognition.) We have not taken a tax position that, if challenged, would have a material effect on the financial statements or the effective tax rate for the three and nine months ended September 30, 2023 and 2022.

NOTE 11 — LEASES

In determining our right-of-use assets and lease liabilities, we apply a discount rate to the minimum lease payments within each lease agreement. ASC 842 requires us to use the interest rate that a lessee would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment. If we cannot readily determine the discount rate implicit in lease agreements, we utilize our incremental borrowing rate. For leases one-year or shorter, lessees can elect not to record lease liabilities and right-of use assets and instead recognize the expense associated with the lease payments using the straight-line basis.

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The Company has nine operating leases as of September 30, 2023—five in DFW, two in Mt. Pleasant, South Carolina and two in Chandler, Arizona. The leases for the consumer segment are: 1) the flagship store located at 13022 Preston Road, Dallas, Texas expiring on January 31, 2027, with an option to extend the lease for an additional five years, at the prevailing market rate for comparable space in comparable buildings in the vicinity; 2) the Grand Prairie, Texas lease expiring June 30, 2027, with an option to extend the lease for an additional five years; 3) the two leases for the Mt. Pleasant, South Carolina location expiring on April 30, 2025, with no additional renewal options; and 4) the lease for the Euless, Texas location expiring June 30, 2025, with an option to extend the lease for an additional five years. The leases for the commercial segment are: 1) the Echo location on W. Belt Line Road, in Carrollton, Texas, expiring January 31, 2026, with an option to extend the lease an additional five years; 2) the lease for the Teladvance location, which also houses ITAD USA and CEX, on Realty Road in Carrollton, Texas expires January 31, 2027, with no additional renewal options; and 3) the two leases for the Avail location in Chandler, Arizona expiring on May 31, 2025, with no additional renewal options. All of the Company's nine leases as of September 30, 2023 are triple net, for which it pays its proportionate share of common area maintenance, property taxes and property insurance. Leasing costs for the three months ended September 30, 2023 and 2022 were \$ 686,354 and \$ 655,669 respectively, comprised of a combination of minimum lease payments and variable lease costs. Leasing costs for the nine months ended September 30, 2023 and 2022 were \$ 2,048,238 and \$ 1,938,392 , respectively, comprised of a combination of minimum lease payments and variable lease costs.

As of September 30, 2023, the weighted average remaining lease term and weighted average discount rate for operating leases were 2.3 years and 4.4 %, respectively. For the three months ended September 30, 2023 and 2022, the Company's cash paid for operating lease liabilities was \$ 680,019 and \$ 654,471 respectively. For the nine months ended September 30, 2023 and 2022, the Company's cash paid for operating lease liabilities was \$ 2,042,911 and \$ 1,934,791 , respectively.

Future annual minimum lease payments as of September 30, 2023:

	Operating Leases
<u>Consumer</u>	
2023 (excluding the nine months ending September 30, 2023)	136,357
2024	552,414
2025	434,274
2026	355,000
2027 and thereafter	50,115
Total minimum lease payments	1,528,160
Less imputed interest	(94,155)
Consumer Sub-Total	1,434,005
<u>Commercial</u>	
2023 (excluding the nine months ending September 30, 2023)	339,765
2024	1,396,129
2025	1,321,297
2026	474,326
2027 and thereafter	33,455
Total minimum lease payments	3,564,972
Less imputed interest	(201,036)
Commercial Sub-Total	3,363,936
Total	4,797,941
Current portion	1,775,883
	<u>\$ 3,022,058</u>

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NOTE 12 — BASIC AND DILUTED AVERAGE SHARES

A reconciliation of basic and diluted weighted average common shares for the three months ended September 30, 2023 and 2022 is as follows:

	For the Three Months Ended September 30,	
	2023	2022
Basic weighted average shares	26,809,778	26,924,631
Effect of potential dilutive securities	15,000	15,000
Diluted weighted average shares	26,824,778	26,939,631

For the three months ended September 30, 2023 and 2022, there was a total of 15,000 common stock options, warrants, and Restricted Stock Units (RSUs) unexercised. For the three months ended September 30, 2023 and 2022, there were no anti-dilutive shares.

A reconciliation of basic and diluted weighted average common shares for the nine months ended September 30, 2023 and 2022 is as follows:

	For the Nine Months Ended September 30,	
	2023	2022
Basic weighted average shares	26,884,221	26,924,631
Effect of potential dilutive securities	15,000	15,000
Diluted weighted average shares	26,899,221	26,939,631

For the nine months ended September 30, 2023 and 2022, there was a total of 15,000 common stock options, warrants, and Restricted Stock Units (RSUs) unexercised. For the nine months ended September 30, 2023 and 2022, there were no anti-dilutive shares.

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On March 14, 2023, a stock repurchase program was unanimously approved by the Company's Board of Directors (the "Board"), that gave management authorization to purchase up to one million (1,000,000) shares of the Company's stock, at a per-share price not to exceed \$ 9 , on the open market. The plan expires on March 31, 2026.

The following lists the repurchase of Company shares as of September 30, 2023:

Fiscal Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Price Paid \$	Shares available to purchase under the plan
Beginning Balance				1,000,000
May 1 - 31, 2023	17,029	6.73	114,621	982,971
June 1 - 30, 2023	10,392	7.72	80,199	972,579
July 1 - 31, 2023	-	-	-	972,579
August 1 - 31, 2023	197,210	5.70	1,123,531	775,369
September 1 - 30, 2023	-	-	-	775,369
Total	224,631	\$ 5.87	\$ 1,318,351	775,369

NOTE 13 — LONG-TERM DEBT

Long-term debt consists of the following:

	Outstanding Balance		Current Interest Rate	Maturity
	September 30, 2023	December 31, 2022		
Consumer				
Note payable, Farmers Bank (1)	\$ 2,589,824	\$ 2,668,527	3.10%	November 15, 2026
Note payable, Truist Bank (2)	847,573	874,418	3.65%	July 9, 2030
Note payable, Texas Bank & Trust (3)	442,387	456,187	3.75%	September 14, 2025
Note payable, Texas Bank & Trust (4)	1,643,453	1,691,020	3.75%	July 30, 2031
Note payable, Kretchmer (5)	200,000	-	0.00%	October 1, 2025
Consumer Sub-Total	5,723,237	5,690,152		
Commercial				

Note payable, Farmers Bank (1)	5,875,998	6,054,565	3.10%	November 15, 2026
Line of Credit (6)	-	-	3.10%	November 15, 2024
Avail Transaction note (7)	1,000,000	1,500,000	0.00%	April 1, 2025
Commercial Sub-Total	6,875,998	7,554,565		
<u>Corporate</u>				
Note payable, Texas Bank & Trust (8)	2,647,312	2,732,688	3.25%	Novemeber 4, 2025
Sub-Total	15,246,547	15,977,405		
Current portion	1,331,586	1,250,702		
	<u>\$ 13,914,961</u>	<u>\$ 14,726,703</u>		

(1) On November 23, 2021, Farmers State Bank of Oakley, Kansas ("FSB") refinanced prior related party notes held by the consumer segment and the commercial segment. The commercial segment note was refinanced with a remaining and outstanding balance of \$ 6,309,962 . The note is a five-year promissory note amortized over 20 years at 3.1 % annual interest rate. The note has monthly principal and interest payments of \$ 35,292 . The consumer segment note was refinanced with a remaining and outstanding balance of \$ 2,781,087 , is a five-year promissory note amortized over 20 years at 3.1 % annual interest rate. The note has monthly principal and interest payments of \$ 15,555 .

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(2) On July 9, 2020, the consumer segment closed the purchase of a retail building located at 610 E. Round Grove Road in Lewisville, Texas for \$ 1.195 million. The purchase was partly financed through a \$ 956,000 , ten-year loan, bearing an annual interest rate of 3.65 %, amortized over 20 years, payable to Truist Bank (f/k/a BB&T Bank). The note has monthly interest and principal payments of \$ 5,645 .

(3) On September 14, 2020, the consumer segment closed on the purchase of a retail building located at 1106 W. Northwest Highway in Grapevine, Texas for \$ 620,000 . The purchase was partly financed through a \$ 496,000 , five-year loan, bearing an annual interest rate of 3.75 %, amortized over 20 years, payable to Texas Bank & Trust. The note has monthly interest and principal payments of \$ 2,941 .

(4) On July 30, 2021, the consumer segment closed the purchase of a new retail building located at 9166 Gaylord Parkway in Frisco, Texas for \$ 2,215,500 . The purchase was partly financed through a \$ 1,772,000 , five-year loan (the "TB&T Frisco Loan"), bearing an annual interest rate of 3.75 %, amortized over 20 years, payable to Texas Bank and Trust. The note has monthly interest and principal payments of \$ 10,509 .

(5) On September 12, 2023, the consumer segment entered into the Kretchmer Transaction to purchase all of the issued and outstanding common stock for \$ 300,000 . The purchase was facilitated by an initial payment of \$100,000 at closing, and the remaining \$200,000 to be paid out by 8 quarterly payments starting January 1, 2024, of \$25,000 each. The installment note payable for the Kretchmer Transaction is imputed at 3.1% .

(6) On November 23, 2021, the Company secured a 36-month line of credit from FSB for \$ 3,500,000 at 3.1 % annual interest rate. As of September 30, 2023 and December 31, 2022, the outstanding balance of the line of credit was \$ 0 .

(7) On October 29, 2021, the commercial segment entered into the Avail Transaction to purchase all of the assets, liabilities and rights and interests of

Avail AZ, for \$ 4.5 million. The purchase was facilitated by an initial payment of \$2.5 million at closing, and the remaining \$2.0 million to be paid out by 12 quarterly payments starting April 1, 2022, of \$166,667 each. The installment note payable for the Avail Transaction is imputed at 3.1%

(8) On November 4, 2020, 1901 Gateway Holdings, LLC, a wholly owned subsidiary of Envela Corporation, closed on the purchase of its corporate office building located at 1901 Gateway Drive, Irving, Texas for \$ 3.521 million. The building was partially financed through a \$ 2.96 million, five-year loan, bearing an interest rate of 3.25 %, amortized over 20 years, payable to Texas Bank & Trust. The note has monthly interest and principal payments of \$ 16,792 .

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Future scheduled principal payments of our notes payable as of September 30, 2023 are as follows:

Note payable, Texas Bank & Trust

Year Ending December 31,	Amount
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2023 (excluding the nine months ended September 30, 2023)	\$ 16,043
2024	66,218
2025	75,213
2026	78,734
2027	80,711
Thereafter	1,326,534
Subtotal	<u>\$ 1,643,453</u>

Note payable, Kretchmer

Year Ending December 31,	Amount
2023 (excluding the nine months ended September 30, 2023)	\$ -
2024	100,000
2025	<u>100,000</u>
Subtotal	<u>\$ 200,000</u>

COMMERCIAL SEGMENT

Note payable, Farmers Bank

Year Ending December 31,	Amount
2023 (excluding the nine months ended September 30, 2023)	\$ 60,619
2024	246,725
2025	254,482
2026	<u>5,314,172</u>
Subtotal	<u>\$ 5,875,998</u>

Note payable, Avail Transaction

Year Ending December 31,	Amount
2023 (excluding the nine months ended September 30, 2023)	\$ 166,667
2024	666,667
2025	<u>166,666</u>
Subtotal	<u>\$ 1,000,000</u>

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CORPORATE

Note payable, Texas Bank & Trust - Envela

Year Ending December 31,	Amount
2023 (excluding the nine months ended September 30, 2023)	\$ 28,532
2024	116,517
2025	2,502,263
Subtotal	\$ 2,647,312
	<u>\$ 15,246,547</u>

Future scheduled aggregate amount of principal payments and maturities of our notes payable as of September 30, 2023 are as follows:

Scheduled Principal Payments and Maturities by Year:	Scheduled Principal Payments	Loan Maturities	Total
2023 (excluding the nine months ended September 30, 2023)	312,423	-	312,423
2024	1,361,421	-	1,361,421
2025	872,393	2,795,617	3,668,010
2026	464,890	7,310,424	7,775,314
2027	122,792	-	122,792
Thereafter	428,239	1,578,348	2,006,587
Total	<u>\$ 3,562,158</u>	<u>\$ 11,684,389</u>	<u>\$ 15,246,547</u>

NOTE 14 — STOCK-BASED COMPENSATION

The Company accounts for share-based compensation by measuring the cost of employee services received in exchange for an award of equity instruments, including grants of stock options, based on the fair value of the award at the date of grant. In addition, to the extent that the Company receives an excess tax benefit upon exercise of an award, such benefit is reflected as cash flow from financing activities in the consolidated statement of cash flows.

There was no stock-based compensation expense for the three and nine months ended September 30, 2023 and 2022.

NOTE 15 — RELATED PARTY TRANSACTIONS

The Company has a corporate policy governing the identification, review, consideration and approval or ratification of transactions with related persons, as that term is defined in the Instructions to Item 404(a) of Regulation S-K, promulgated under the Securities Act ("Related Party"). Under this policy, all Related Party transactions are identified and approved prior to consummation of the transaction to ensure they are consistent with the Company's best interests and the best interests of its shareholders. Among other factors, the Company's Board considers the size and duration of the transaction, the nature and interest of the of the Related Party in the transaction, whether the transaction may involve a conflict of interest and if the transaction is on terms that are at least as favorable to the Company as would be available in a comparable transaction with an unaffiliated third party. Envela's Board reviews all Related Party transactions at least annually to determine if it is in the Board's best interests and the best interests of the Company's shareholders to continue, modify, or terminate any of the Related Party transactions. Envela's Related Person Transaction Policy is available for review in its entirety under the "Investors" menu of the Company's corporate relations website at www.envela.com.

NOTE 16 — CONTINGENCIES

Inflation continues to adversely affect global economic business conditions. Future sales on products like ours could decline or fluctuate due to increased or fluctuating commodities prices, particularly gold. The Federal Reserve has continued raising interest rates to combat inflation and restore price stability and it is expected that rates will continue to rise at a slower and more deliberate pace through fiscal 2023. Although we are continuing to monitor and assess the economic effects of inflation, the ultimate impact is highly uncertain and subject to change. In addition, the economic effects of the foregoing are subject to, among other things, the effect of government responses on our operations.

The global tension caused by the conflicts between Russia and Ukraine and within the Middle East has upset the stability within the region of the former Soviet era block and the whole of the Middle East. This could lead to further volatility in global energy and other industries that could negatively impact our operations. The U.S. government has imposed sanctions and export controls against Russia and Russian interests and threatened additional sanctions and controls, which have impacted global supply chains. The impact of these measures, as well as other measures taken, as it concerns our operations is currently unknown.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Unless the context indicates otherwise for one of our specific operating segments, references to "we," "us," "our," "the "Company" and "Envela" refer to the consolidated business operations of Envela Corporation, and all of its direct and indirect subsidiaries.

Forward-Looking Statements

This Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 (this "Form 10-Q"), including but not limited to: (i) the section of this Form 10-Q entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations;" (ii) information concerning our business prospects or future financial performance, anticipated revenues, expenses, profitability or other financial items; and (iii) our strategies, plans and objectives, together with other statements that are not historical facts, includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements generally can be identified by the use of forward-looking terminology, such as "may," "will," "would," "expect," "intend," "could," "estimate," "should," "anticipate" or "believe." We intend that all forward-looking statements be subject to the safe harbors created by these laws. All statements other than statements of historical information provided herein are forward-looking based on current expectations regarding important risk factors. Many of these risks and uncertainties are beyond our ability to control, and, in many cases, we cannot predict all of the risks and uncertainties that could cause our actual results to differ materially from those expressed in the forward-looking statements. Actual results could differ materially from those expressed in the forward-looking statements, and readers should not regard those statements as a representation by us or any other person that the results expressed in the statements will be achieved. Important risk factors that could cause results or events to differ from current expectations are described under the section entitled "Risk Factors" in the Company's 2022 Annual Report and any material updates are described under the section of this Form 10-Q entitled "Risk Factors" and elsewhere in this Form 10-Q. These factors are not intended to be an all-encompassing list of risks and uncertainties that may affect the operations, performance, development and results of our business. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. We undertake no obligation to release publicly the results of any revisions to these forward-looking statements, which may be made to reflect events or circumstances after the date thereon, including without limitation, changes in our business strategy or planned capital expenditures, or store growth plans, or to reflect the occurrence of unanticipated events.

Envela Overview

The Company operates through two recommerce business segments represented by customer designations. The consumer segment, formerly known as the DGSE segment, focuses on the recommercialization of luxury hard assets, and the commercial segment formerly known as the ECHG segment,

focuses on the recommercialization of business IT equipment and electronic devices.

Through the consumer segment, the Company recommercializes luxury hard assets and operates the Dallas Gold and Silver Exchange, Charleston Gold & Diamond Exchange, Kretchmer and Bullion Express brands. Through the commercial segment, the Company recommercializes business IT equipment and electronic devices and operates Echo, ITAD USA, Teladvance, CEX and Avail. Echo focuses on end-of-life electronics recycling and sustainability, ITAD USA provides IT equipment disposition, including compliance and data sanitization services, and Teladvance, CEX and Avail operate as value-added resellers by providing offerings and services to companies looking either to upgrade capabilities or dispose of equipment. In addition to its operations through the consumer and commercial segments, Envela also leases unused space at its Company headquarters in Irving, Texas to third-party tenants.

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Consumer Segment Business Overview

The consumer segment is headquartered in Dallas, Texas and focuses on sustainable, authenticated recommerce of luxury hard assets, including diamonds. Its retail strategy is anchored in being an information resource for clients, bringing transparency to purchase and sale transactions, and offering value and liquidity to those seeking to buy, sell or trade jewelry, fine watches, diamonds, rare coins and currency as well as other valuables. The Company wholesales and retails these items through its Charleston Gold & Diamond Exchange and Dallas Gold & Silver Exchange operations. Dallas Gold & Silver Exchange and Charleston Gold & Diamond Exchange have specialized in buying and selling jewelry for almost 50 years, making our expert staff among the best in the business.

Dallas Gold & Silver Exchange also maintains a number of related operations, on-site jewelry and watch repair and restoration at its Dallas flagship location, and design of custom bridal and fashion jewelry. In addition, it also has a precious-metal bullion-trading operation that buys and sells all forms of gold, silver, platinum and palladium products, including United States and other government-issue coins, private-mint medallions, art bars and trade unit bars.

For additional information regarding the consumer segment, see "Item 1. Business – How We Organize Our Business – Direct-To-Consumer." in the Company's 2022 Annual Report.

Consumer Segment Recommerce Activities

The Company operates a sustainable marketplace for preowned luxury goods. We buy and sell coins, diamonds, jewelry, and related accessories and other merchandise. Our ability to offer quality pre-owned goods at prices significantly lower than original retail prices attracts value-conscious customers. The consumer segment depends on purchasing products and materials from secondary markets. We are reliant on our ability to obtain an adequate supply of products and material at prices or other terms acceptable to us. The gross profit on sales of inventory depends primarily on our assessment of the purchase value at the time the property is purchased and our ability to sell that merchandise in a timely manner.

Consumer Segment Precious Metals Pricing and Business Impact

We are exposed to various market risks. Market risk is the potential loss arising from the adverse changes in market prices and rates. The nature of the consumer operations results in exposure to fluctuations in commodity prices, specifically diamonds, platinum, gold and silver. We do not currently use derivatives to hedge these risks.

As a significant portion of our inventory and sales involve gold and jewelry, our results can be influenced by the market price of gold and diamonds. Our retail sales and gross margin could be materially impacted if prices of diamonds, platinum, gold, or silver rise so significantly that our consumers' behavior changes or if price increases cannot be passed onto our customers.

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Because the consumer segment buys and resells precious metals, it is impacted by fluctuations and changes in precious-metal pricing which rises and falls based upon global supply and demand dynamics, with the greatest impact on us relating to gold as it represents a significant portion of the precious-metal in which we trade. Such fluctuations, particularly with respect to gold, which accounts for a majority of our merchandise costs, can have a significant impact on its earnings and cash availability.

We continue to monitor the economic impact on our operations from surging inflation and the conflicts in Ukraine and the Middle East. Uncertainties exist that could affect our operations or cash flows in the future, such as continued inflationary environmental changes (including, but not limited to, labor, materials, and advertising costs). The Company's ability to recruit and retain qualified team members, organized retail crime, or the consumers' ability to spend on discretionary categories.

Consumer Segment Growth and Expansion

Our continued strategy will be to expand the number of locations we operate through opening new ("de novo") locations in both current markets within DFW and South Carolina. On May 4, 2023, the Company closed on a building, in Phoenix, Arizona, for \$1,231,150 and continues to prepare the building to house our next retail location. We continue to search for other locations to expand. Our ability to add new stores is dependent on several variables, such as projected achievement of internal investment hurdles, the availability of acceptable sites, the regulatory environment, local zoning ordinances, access to capital and the availability of qualified personnel. We see opportunity for further expansion through de novo openings in the United States. The Company expects capital expenditures over the next twelve months including the potential purchase of additional properties.

On September 12, 2023, the Company purchased all of the issued and outstanding stock of Kretchmer. Based on the terms of the purchase, the Company has concluded the Kretchmer Transaction represents a business combination pursuant to Financial Accounting Standards Board Accounting Standards Codification Topic 805, Business Combinations, or ASC 805. The Kretchmer Transaction will be incorporated into the consumer segment.

Commercial Segment Business Overview

The commercial segment operates Echo, ITAD USA, Teladvance, CEX and Avail, through which it primarily buys and resells or recycles electronic components and IT equipment. Echo focuses on end-of-life electronics recycling and also offers disposal transportation and product tracking, ITAD USA provides IT equipment disposition including compliance and data sanitization services and Teladvance, CEX and Avail operates as value-added resellers by providing offerings and services to companies looking to either upgrade capabilities or dispose of equipment. In addition, as a result of the CExchange Transaction, Teladvance offers its customers the ability to further offer their customers the ability to upgrade their old phones through a trade-in program supported by Teladvance. Like the consumer segment, the commercial segment also maintains relationships with refiners for which it sells extracted valuable materials from electronics and IT equipment deemed unsuitable for retail or wholesale customers.

Commercial Segment Recommerce Activities

A portion of the commercial business depends on obtaining products and material from secondary markets and is reliant on its ability to obtain an adequate supply of products and material at prices and other items acceptable to it. Although we believe that the long-term prospects for the industry remain bright, but because we do not have unlimited backlogs, our business can be promptly affected by short-term market fluctuations and supply limitations.

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Commercial Segment Metals Pricing and Business Impact

The commercial recycling business is affected by precious and other non-ferrous metal prices, which fluctuate based upon global supply-and-demand dynamics, among other things, with the greatest impact relating to gold. As discussed below, we have seen a recent decrease of recycled items, which we believe is primarily due to the supply chain problems downstream with our customers.

Commercial Segment Growth and Expansion

The commercial strategy is to expand both organically and through acquisitions. As an organization, we strive to deliver value through organic growth, high customer loyalty and retention as well as strategic acquisitions. We are committed to continuous innovation. Many of our clients have made commitments to going carbon neutral over the next few years and we see the potential to further expand key relationships as we partner with them in more ways to help them achieve their goal. With an emphasis on increasing recurring revenues and expanding our margins, commercially we believe our organic strategy will ultimately drive strong financial performance, including cash flow to support our acquisition strategy. Commercial's business strategy has always included pursuing synergistic acquisitions, and we plan to continue to expand the business by making strategic acquisitions and regularly

seeking suitable acquisition targets to enhance its growth.

For additional information regarding the commercial segment, see "Item 1. Business—How We Organize Our Business—Commercial Services." in the Company's 2022 Annual Report.

Economic Conditions

Surging inflation, supply chain disruptions and the wars in Ukraine and the Middle East have affected the recommerce business in unpredictable ways. There have been fewer customers raising money by selling items. For more information, see Note 16 to these interim condensed consolidated financial statements.

Critical Accounting Policies and Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our financial statements, which have been prepared in accordance with U.S. GAAP principles. The preparation of these financial statements requires our management to make judgments and estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported revenue generated, and expenses incurred during the reporting periods. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these judgments and estimates under different assumptions or conditions and any such differences may be material.

While our significant accounting policies are more fully described in "Note 1 — Accounting Policies and Nature of Operations" in the Company's 2022 Annual Report, we believe that the accounting estimates discussed below relate to the more significant areas involving management's judgments and estimates.

Inventories

The consumer segment inventory is valued at the lower of cost or net realizable value ("NRV"). We acquire a majority of our inventory from individual customers, including pre-owned jewelry, watches, bullion, rare coins and monetary collectibles. We acquire these items based on our own internal estimate of the fair value of the items at the time of purchase. We consider factors such as the current spot market price of precious metals and current market demand for the items being purchased. The consumer segment supplements these purchases from individual customers with inventory purchased from wholesale vendors. These wholesale purchases can take the form of full asset purchases, or consigned inventory. Consigned inventory is accounted for on our balance sheet with a fully offsetting contra account so that consigned inventory has a net zero balance. The majority of our inventory has some component of its value that is based on the spot market price of precious metals. Because the overall market value for precious metals regularly fluctuates, these fluctuations could have either a positive or negative impact on the value of our inventory and could positively or negatively impact our profitability. We monitor these fluctuations to evaluate any necessary impairment to inventory.

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The Echo inventory principally includes processed and unprocessed electronic scrap materials. The value of the material is derived from recycling the precious and other scrap metals included in the scrap. The processed and unprocessed materials are carried at the lower of the average cost of the material during the month of purchase or NRV. The in-transit material is carried at lower of cost or NRV using the retail method. Under the retail method the valuation of the inventory at cost and the resulting gross margins are calculated by applying a cost to retail ratio to the retail value of the inventory.

For the three and nine months ended September 30, 2023, we have not identified critical accounting estimates that involve a significant level of estimation uncertainty and would have a material impact on our results. For additional information, refer to Note 3 to these interim condensed consolidated financial statements, where our significant accounting policies are more fully described.

Recent Accounting Pronouncements

See Note 3- Accounting Policies and Estimates, to these interim condensed consolidated financial statements for recently adopted accounting pronouncements.

Use of Non-U.S. GAAP Financial Measures

In this management's discussion and analysis, we use supplemental measures of our performance, which are derived from our interim consolidated financial information, but which are not presented in our interim consolidated financial statements prepared in accordance with U.S. GAAP. We believe that providing these non-U.S. GAAP financial measures adds a meaningful presentation of our operating and financial performance. See the reconciliation of net income to EBITDA (defined below), in Non-U.S. GAAP Financial Measures below.

Non-U.S. GAAP Financial Measures

EBITDA is a key performance measure that our management uses to assess our operating performance. Because EBITDA facilitates internal comparisons of our historical operating performance on a more consistent basis, we use this measure as an overall assessment of our performance, to evaluate the effectiveness of our business strategies and for business planning purposes. EBITDA may not be comparable to similarly titled metrics of other companies. EBITDA means earnings before interest expense, other (income) expense, net, income tax expense, and depreciation and amortization. EBITDA is a non-U.S. GAAP measure and should not be considered as an alternative to the presentation of net income or any other measure of financial performance calculated and presented in accordance with U.S. GAAP.

The following table provides a reconciliation of net income to EBITDA for the three months ending September 30, 2023 and 2022:

For the three months ended September 30,					
2023			2022		
Consumer	Commercial	Consolidated	Consumer	Commercial	Consolidated

EBITDA Reconciliation:

Net Income	\$ 767,376	\$ 940,117	\$ 1,707,493	\$1,201,848	\$ 2,115,861	\$ 3,317,709
Add (deduct):						
Depreciation and amortization	75,842	261,871	337,713	103,022	431,942	534,964
Other income	(22,851)	(169,586)	(192,437)	(5,957)	(37,162)	(43,119)
Interest expense	59,631	57,535	117,166	60,619	59,338	119,957
Income tax expense	120,637	197,330	317,967	20,243	43,818	64,061
EBITDA	<u>\$1,000,635</u>	<u>\$ 1,287,267</u>	<u>\$ 2,287,902</u>	<u>\$1,379,775</u>	<u>\$ 2,613,797</u>	<u>\$ 3,993,572</u>

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The following table provides a reconciliation of net income to EBITDA for the nine months ending September 30, 2023 and 2022:

	For the nine months ended June 30,					
	2023			2022		
	Consumer	Commercial	Consolidated	Consumer	Commercial	Consolidated
EBITDA Reconciliation:						
Net Income	\$3,072,567	\$ 2,764,952	\$ 5,837,519	\$4,844,572	\$ 4,968,220	\$ 9,812,792
Add (deduct):						

Depreciation and amortization	253,385	774,853	1,028,238	311,419	795,008	1,106,427
Other income	(70,315)	(486,553)	(556,868)	(29,970)	(61,190)	(91,160)
Interest expense	177,458	171,460	348,918	183,523	180,715	364,238
Income tax expense	778,150	756,037	1,534,187	48,811	95,794	144,605
EBITDA	<u>\$4,211,245</u>	<u>\$ 3,980,749</u>	<u>\$ 8,191,994</u>	<u>\$5,358,355</u>	<u>\$ 5,978,547</u>	<u>\$ 11,336,902</u>

Results of Operations

The following disaggregation of total revenue is listed by sales category and segment for the three months ended September 30, 2023 and 2022:

CONSOLIDATED	Three Months Ended September 30,					
	2023			2022		
	Revenues	Gross Profit	Margin	Revenues	Gross Profit	Margin
<u>Consumer</u>						
Resale	\$23,807,040	\$2,791,390	11.7%	\$28,172,732	\$ 3,251,153	11.5%
Recycled	3,074,162	797,873	26.0%	2,254,522	498,210	22.1%
Subtotal	<u>26,881,202</u>	<u>3,589,263</u>	<u>13.4%</u>	<u>30,427,254</u>	<u>3,749,363</u>	<u>12.3%</u>
<u>Commercial</u>						
Resale	6,990,285	4,802,548	68.7%	11,518,168	6,465,386	56.1%
Recycled	2,394,784	1,342,471	56.1%	3,252,264	1,640,908	50.5%
Subtotal	<u>9,385,069</u>	<u>6,145,019</u>	<u>65.5%</u>	<u>14,770,432</u>	<u>8,106,294</u>	<u>54.9%</u>
	<u>\$36,266,271</u>	<u>\$9,734,282</u>	<u>26.8%</u>	<u>\$45,197,686</u>	<u>\$11,855,657</u>	<u>26.2%</u>

Comparison of three months ended September 30, 2023 and 2022

Resale Revenue

	Three Months Ended September 30,		Change	
	2023	2022	Amount	%
Resale Revenue				
Consolidated	\$ 30,797,325	\$ 39,690,900	\$ (8,893,575)	-22%
Consumer	\$ 23,807,040	\$ 28,172,732	\$ (4,365,692)	-15%
Commercial	\$ 6,990,285	11,518,168	\$ (4,527,883)	-39%

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Resale revenue decreased by \$8,893,575, or 22%, during the three months ended September 30, 2023 to \$30,797,325, as compared to \$39,690,900 during the same period in 2022. The individual segments reported the following:

Resale revenue related to the consumer segment decreased by \$4,365,692, or 15%, during the three months ended September 30, 2023, to \$23,807,040, as compared to \$28,172,732 during the same period in 2022. Resale revenue decreased for the three months ended September 30, 2023, as compared to the three months ended September 30, 2022, primarily due to a reduction in gold and silver bullion ounces sold, partially offset by higher average selling prices of gold and silver.

Resale revenue related to the commercial segment decreased by \$4,527,883, or 39%, during the three months ended September 30, 2023, to \$6,990,285, as compared to \$11,518,168 during the same period in 2022. Resale revenue decreased for the three months ended September 30, 2023, as compared to the three months ended September 30, 2022, primarily due to a post pandemic normalization of product from cable operator clients and a decrease in reusable photovoltaic modules.

Recycled Revenue

	Three Months Ended September 30,		Change	
	2023	2022	Amount	%
Recycled Revenue				
Consolidated	\$ 5,468,946	\$ 5,506,786	\$ (37,840)	-0.01%
Consumer	\$ 3,074,162	2,254,522	\$ 819,640	36%
Commercial	\$ 2,394,784	3,252,264	\$ (857,480)	-26%

Recycled revenue decreased by \$37,840, or 0.01%, during the three months ended September 30, 2023 to \$5,468,946, as compared to \$5,506,786 during the same period in 2022. The individual segments reported the following:

Recycled revenue related to the consumer segment increased by \$819,640, or 36%, during the three months ended September 30, 2023, to \$3,074,162, as compared to \$2,254,522 during the same period in 2022. The increase in recycled revenue for the three months ended September 30, 2023, as compared to the three months ended September 30, 2022, primarily due to an increase in over-the-counter purchases made directly from customers. The surge in transactions is believed to be largely driven by the ongoing inflationary pressures, which has led to a higher demand from individuals seeking funds for emergency situations, bills, or other financial responsibilities.

Recycled revenue related to the commercial segment decreased by \$857,480, or 26%, during the three months ended September 30, 2023, to \$2,394,784, as compared to \$3,252,264 during the same period in 2022. Recycled revenue decreased for the three months ended September 30, 2023, as compared to the three months ended September 30, 2022, primarily due to a post pandemic normalization of product from cable operator clients and a decrease in photovoltaic module recycling.

Gross Profit - Resale

	Three Months Ended September 30,		Change	
	2023	2022	Amount	%

Gross Profit - Resale

Consolidated	\$ 7,593,938	\$ 9,716,539	\$ (2,122,601)	-22%
Consumer	\$ 2,791,390	\$ 3,251,153	\$ (459,763)	-14%
Commercial	\$ 4,802,548	6,465,386	\$ (1,662,838)	-26%

Resale gross profit decreased by \$2,122,601, or 22%, during the three months ended September 30, 2023 to \$7,593,938, as compared to \$9,716,539 during the same period in 2022. The individual segments reported the following:

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Resale gross profit related to the consumer operations for the three months ended September 30, 2023, decreased by \$459,763, or 14%, to \$2,791,390, as compared to resale gross profit of \$3,251,153 during the same period in 2022. The decrease in resale gross profit was due primarily to a decrease in resale revenue.

Resale gross profit related to the commercial operations for the three months ended September 30, 2023, decreased by \$1,662,838, or 26%, to \$4,802,548, as compared to resale gross profit of \$6,465,386 during the same period in 2022. The decrease in resale gross profit was primarily due to the decrease in resale revenue during the three months ended September 30, 2023, as compared to the same period in 2022.

	Three Months Ended September 30,		Change	
	2023	2022	Amount	%
Gross Profit - Recycled				
Consolidated	\$ 2,140,344	\$ 2,139,118	\$ 1,226	0.06%
Consumer	\$ 797,873	498,210	\$ 299,663	60%
Commercial	\$ 1,342,471	1,640,908	\$ (298,437)	-18%

Recycled gross profit increased by \$1,226, or 0.06%, during the three months ended September 30, 2023 to \$2,140,344, as compared to \$2,139,118 during the same period in 2022. The individual segments reported the following:

Recycled gross profit related to the consumer operations for the three months ended September 30, 2023, increased by \$299,663, or 60%, to \$797,873, as compared to gross profit of \$498,210 during the same period in 2022. The increase in recycled gross profit was primarily due to the increase in recycled revenue of 36%, and the increase of gross profit percentage to 26% during the three months ended September 30, 2023 as compared to 22.1% during the three months ended September 30, 2022.

Recycled gross profit related to the commercial operations for the three months ended September 30, 2023, decreased by \$298,437, or 18%, to \$1,342,471, as compared to gross profit of \$1,640,908 during the same period in 2022. The decrease in recycled gross profit was due primarily to a 26% decrease in recycled revenue during the three months ended September 30, 2023, as compared to the same period in 2022.

	For The Three Months Ended September 30,					
	2023			2022		
	Consumer	Commercial	Consolidated	Consumer	Commercial	Consolidated
Revenue:						
Sales	\$26,881,202	\$ 9,385,069	\$ 36,266,271	\$30,427,254	\$14,770,432	\$ 45,197,686
Cost of goods sold	23,291,939	3,240,050	26,531,989	26,677,891	6,664,138	33,342,029
Gross profit	3,589,263	6,145,019	9,734,282	3,749,363	8,106,294	11,855,657
Expenses:						
Selling, general and administrative expenses	2,588,628	4,857,752	7,446,380	2,369,588	5,492,497	7,862,085
Depreciation and amortization	75,842	261,871	337,713	103,022	431,942	534,964
	2,664,470	5,119,623	7,784,093	2,472,610	5,924,439	8,397,049
Operating income	924,793	1,025,396	1,950,189	1,276,753	2,181,855	3,458,608
Other income/expense:						
Other income	22,851	169,586	192,437	5,957	37,162	43,119
Interest expense	59,631	57,535	117,166	60,619	59,338	119,957
Income before income taxes	888,013	1,137,447	2,025,460	1,222,091	2,159,679	3,381,770
Income tax expense	120,637	197,330	317,967	20,243	43,818	64,061
Net income	\$ 767,376	\$ 940,117	\$ 1,707,493	\$ 1,201,848	\$ 2,115,861	\$ 3,317,709

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Selling, General and Administrative

	Three Months Ended September 30,		Change	
	2023	2022	Amount	%
Selling, General and Administrative				
Consolidated	\$ 7,446,380	\$ 7,862,085	\$ (415,705)	-5%
Consumer	\$ 2,588,628	\$ 2,369,588	\$ 219,040	9%
Commercial	\$ 4,857,752	\$ 5,492,497	\$ (634,745)	-12%

Selling, General and Administrative Expenses decreased by \$415,705, or 5%, during the three months ended September 30, 2023 to \$7,446,380, as compared to \$7,862,085 during the same period in 2022. The individual segments reported the following:

Selling, General and Administrative Expenses, for the consumer segment, for the three months ended September 30, 2023, increased by \$219,040, or 9%, to \$2,588,628, as compared to \$2,369,588 during the same period in 2022. The increase was primarily due to increased expenses related to expanding our footprint into Arizona and other markets. Starting January 1, 2023, expenses previously classified as other expenses related to corporate campus overhead have been classified as operating expenses within the selling, general, and administrative expenses category. The corporate campus overhead for 2022 initially recorded as other expense has been restated here to be included in selling, general, and administrative expenses for comparison purposes.

Selling, General and Administrative Expenses, for the commercial segment for the three months ended September 30, 2023, decreased by \$634,745, or 12%, to \$4,857,752, as compared to \$5,492,497 during the same period in 2022. This decrease is primarily due to factors such as a decrease in wages and related costs, as well as the decrease in equipment supplies and rentals. Starting January 1, 2023, expenses previously classified as other expenses related to corporate campus overhead have been classified as operating expenses within the selling, general, and administrative expenses category. The corporate campus overhead for 2022 initially recorded as other expense has been restated here to be included in selling, general, and administrative expenses for comparison purposes.

Depreciation and Amortization

	Three Months Ended September 30,		Change	
	2023	2022	Amount	%
Depreciation and Amortization				
Consolidated	\$ 337,715	\$ 534,964	\$ (197,249)	-37%
Consumer	\$ 75,843	\$ 103,022	\$ (27,179)	-26%
Commercial	\$ 261,872	\$ 431,942	\$ (170,070)	-39%

Depreciation and amortization decreased by \$197,249, or 37%, during the three months ended September 30, 2023 to \$337,715, as compared to \$534,964 during the same period in 2022. The individual segments reported the following:

Depreciation and amortization, for the consumer segment, for the three months ended September 30, 2023, decreased by \$27,179, or 26%, to \$75,843, as compared to \$103,022 during the same period in 2022. The decrease was primarily due to some of the fixed assets and intangible assets being fully depreciated and fully amortized.

Depreciation and amortization, for the commercial segment, for the three months ended September 30, 2023, decreased by \$170,070, or 39%, to \$261,872, as compared to \$431,942 during the same period in 2022. The decrease was primarily due to the amortization of increased intangible assets identified from the Avail Transaction during the three months ended September 30, 2022, as compared to the three months ended September 30, 2023. The commercial segment needed to catch up with amortizing the intangible assets once they were identified.

Other Income

	Three Months Ended September 30,		Change	
	2023	2022	Amount	%
Other Income				
Consolidated	\$ 192,436	\$ 43,119	\$ 149,317	346%
Consumer	\$ 22,851	\$ 5,957	\$ 16,894	284%
Commercial	\$ 169,585	\$ 37,162	\$ 132,423	356%

Other income increased by \$149,317, or 346%, during the three months ended September 30, 2023 to \$192,436, as compared to \$43,119, during the same period in 2022. The individual segments reported the following:

Other income, for the consumer segment, for the three months ended September 30, 2023, increased by \$16,894, or 284%, to \$22,851, as compared to \$5,957 during the same period in 2022. The increase in other income for the three months ended September 30, 2023, as compared to the three months ended September 30, 2022 was primarily due to an increase in interest earned from bank accounts of approximately \$21,700. During December of fiscal 2022, the Company began to move excess working capital funds to savings accounts that paid higher interest rates. Starting January 1, 2023, expenses previously classified as other expenses related to corporate campus overhead have been classified as operating expenses within the selling, general, and administrative expenses category. The corporate campus overhead for 2022 initially recorded as other expense has been restated to be included in selling, general, and administrative expenses for comparison purposes.

Other income, for the commercial segment, for the three months ended September 30, 2023, increased by \$132,423, or 356%, as compared to \$169,585, during the same period in 2022. The increase in other income for the three months ended September 30, 2023, as compared to the three months ended September 30, 2022, was primarily due to an increase in interest earned from bank accounts of approximately \$140,274. During December of fiscal 2022, the Company began to move excess working capital funds to savings accounts that paid higher interest rates. Starting January 1, 2023, expenses previously classified as other expenses related to corporate campus overhead have been classified as operating expenses within the selling, general, and administrative expenses category. The corporate campus overhead for 2022 initially recorded as other expense has been restated to be included in selling, general, and administrative expenses for comparison purposes.

Interest Expense

	Three Months Ended September 30,		Change	
	2023	2022	Amount	%
Interest Expense				
Consolidated	\$ 117,166	\$ 119,957	\$ (2,791)	-2%
Consumer	\$ 59,631	\$ 60,619	\$ (988)	-2%
Commercial	\$ 57,535	\$ 59,338	\$ (1,803)	-3%

Interest expense decreased by \$2,791, or 2%, during the three months ended September 30, 2023 to \$117,166, as compared to \$119,957, during the same period in 2022. The individual segments reported the following:

Interest expense, for the consumer segment, for the three months ended September 30, 2023, decreased by \$988, or 2%, to \$59,631, as compared to \$60,619 during the same period in 2022. The decrease was primarily due to reduced loan balances during the three months ended September 30, 2023 as compared to the three months ended September 30, 2022.

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Interest expense, for the commercial segment, for the three months ended September 30, 2023, decreased by \$1,803, or 3%, to \$57,535, as compared to \$59,338 during the same period in 2022. The decrease was primarily due to reduced loan balances during the three months ended September 30, 2023 as compared to the three months ended September 30, 2022.

Income Tax Expense

	Three Months Ended September 30,		Change	
	2023	2022	Amount	%
Income Tax Expense				
Consolidated	\$ 317,967	\$ 64,061	\$ 253,906	396%
Consumer	\$ 120,637	\$ 20,243	\$ 100,394	496%
Commercial	\$ 197,330	\$ 43,818	\$ 153,512	350%

Income tax expense, for both segments, for the three months ended September 30, 2023, was \$317,967, an increase of \$253,906, as compared to income tax expense of \$64,061 for the three months ended September 30, 2022. Currently, the Company has a deferred tax asset reflecting net operating losses brought over from prior years. Through fiscal 2022, there was an off-setting valuation allowance associated with the deferred tax asset. The valuation allowance was written off as of December 31, 2022. Starting January 1, 2023, the Company has a federal tax rate of approximately 21%, in addition to other state and local taxes, on net income. The effective income tax rate was 18.6% and 1.9% for the three months ended September 30, 2023 and 2022, respectively. Differences between our effective income tax rate and the U.S. federal statutory rate are the result of state taxes, non-deductible expenses and changes in the valuation allowance in relation to the deferred tax asset for net operating loss carryforwards, as was the Company's case for the increase for the three months ended September 30, 2023, compared to the three months ended September 30, 2022.

Net Income

	Three Months Ended September 30,		Change	
	2023	2022	Amount	%
Net Income				
Consolidated	\$ 1,707,493	\$ 3,317,709	\$ (1,610,216)	-49%
Consumer	\$ 767,376	\$ 1,201,848	\$ (434,472)	-36%
Commercial	\$ 940,117	\$ 2,115,861	\$ (1,175,744)	-56%

Net income decreased by \$1,610,216, or 49%, during the three months ended September 30, 2023 to \$1,707,493, as compared to \$3,317,709, during the same period in 2022. The individual segments reported the following:

Net income related to the consumer operations for the three months ended September 30, 2023, decreased by \$434,472, or 36%, to \$767,376, as compared to \$1,201,848 during the same period in 2022. The decrease in net income was due primarily to increased income tax expense of \$100,394, an increase in selling, general and administrative expenses of \$219,040, and a decrease in gross profit of approximately \$160,000, for the three months ended September 30, 2023, as compared to the three months ended September 30, 2022.

Net income related to the commercial operations for the three months ended September 30, 2023, decreased by \$1,175,744, or 56%, to \$940,117, as compared to \$2,115,861 during the same period in 2022. The decrease in net income was due primarily to an increase in income tax expense of \$153,512 and a decrease in gross profit for the three months ended September 30, 2023, as compared to the three months ended September 30, 2022.

Earnings Per Share

	Three Months Ended September 30,		Change	
	2023	2022	Amount	%
Earnings Per Share (Consolidated)	\$ 0.06	\$ 0.12	\$ (0.06)	-50%

Earnings per share, for the three months ended September 30, 2023, for net income per basic and diluted shares attributable to holders of our Common Stock was \$0.06, compared to \$0.12 per basic and diluted shares attributable to holders of our Common Stock for the three months ended September 30, 2022.

The following disaggregation of total revenue is listed by sales category and segment for the nine months ended September 30, 2023 and 2022:

CONSOLIDATED	Nine Months Ended September 30,					
	2023			2022		
	Revenues	Gross Profit	Margin	Revenues	Gross Profit	Margin
<u>Consumer</u>						
Resale	\$ 94,172,640	\$ 9,450,156	10.0%	\$ 90,014,891	\$10,713,959	11.9%
Recycled	9,054,393	2,218,717	24.5%	6,534,362	1,447,450	22.2%
Subtotal	103,227,033	11,668,873	11.3%	96,549,253	12,161,409	12.6%
<u>Commercial</u>						
Resale	23,114,611	15,653,011	67.7%	30,200,026	16,606,161	55.0%
Recycled	8,617,194	4,584,347	53.2%	8,503,223	4,277,121	50.3%
Subtotal	31,731,805	20,237,358	63.8%	38,703,249	20,883,282	54.0%
	<u>\$134,958,838</u>	<u>\$31,906,231</u>	<u>23.6%</u>	<u>\$135,252,502</u>	<u>\$33,044,691</u>	<u>24.4%</u>

Comparison of nine months ended September 30, 2023 and 2022

Resale Revenue

	Nine Months Ended September 30,		Change	
	2023	2022	Amount	%
Resale Revenue Consolidated	\$ 117,287,251	\$ 120,214,917	\$ (2,927,666)	-2%
Consumer	\$ 94,172,640	\$ 90,014,891	\$ 4,157,749	5%
Commercial	\$ 23,114,611	\$ 30,200,026	\$ (7,085,415)	-23%

Resale revenue decreased by \$2,927,666, or 2%, during the nine months ended September 30, 2023 to \$117,287,251, as compared to \$120,214,917 during the same period in 2022. The individual segments reported the following:

Resale revenue related to the consumer segment increased by \$4,157,749, or 5%, during the nine months ended September 30, 2023, to \$94,172,640, as compared to \$90,014,891 during the same period in 2022. Resale revenue increased for the nine months ended September 30, 2023, as compared to the nine months ended September 30, 2022, primarily due to an increase in gold and silver bullion ounces sold.

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Resale revenue related to the commercial segment decreased by \$7,085,415, or 23%, during the nine months ended September 30, 2023, to \$23,114,611, as compared to \$30,200,026 during the same period in 2022. Resale revenue decreased for the nine months ended September 30, 2023, as compared to the nine months ended September 30, 2022, primarily due to a post pandemic normalization of product from cable operator clients and a decrease in reusable photovoltaic modules.

Recycled Revenue

	Nine Months Ended September 30,		Change	
	2023	2022	Amount	%
Recycled Revenue				
Consolidated	\$ 17,671,587	\$ 15,037,585	\$ 2,634,002	18%
Consumer	\$ 9,054,393	\$ 6,534,362	\$ 2,520,031	39%
Commercial	\$ 8,617,194	\$ 8,503,223	\$ 113,971	1%

Recycled revenue increased by \$2,634,002, or 18%, during the nine months ended September 30, 2023, to \$17,671,587, as compared to \$15,037,585 during the same period in 2022. The individual segments reported the following:

Recycled revenue related to the consumer segment increased by \$2,520,031, or 39%, during the nine months ended September 30, 2023, to \$9,054,393, as compared to \$6,534,362 during the same period in 2022. The increase in recycled revenue for the nine months ended September 30, 2023, as compared to the nine months ended September 30, 2022, was primarily due to an increase in over-the-counter purchases made directly from customers. This surge in transactions is believed to be largely driven by the ongoing inflationary pressures, which has led to a higher demand from individuals seeking funds for emergency situations, bills, or other financial responsibilities.

Recycled revenue related to the commercial segment increased by \$113,971, or 1%, during the nine months ended September 30, 2023, to \$8,617,194, as compared to \$8,503,223 during the same period in 2022. There was minimal change in recycled revenue during the nine months ended September 30, 2023, as compared to the nine months ended September 30, 2022.

Gross Profit - Resale

	Nine Months Ended September 30,		Change	
	2023	2022	Amount	%
Gross Profit - Resale				
Consolidated	\$ 25,103,167	\$ 27,320,120	\$ (2,216,953)	-8%
Consumer	\$ 9,450,156	\$ 10,713,959	\$ (1,263,803)	-12%
Commercial	\$ 15,653,011	\$ 16,606,161	\$ (953,150)	-6%

Resale gross profit decreased by \$2,216,953, or 8%, during the nine months ended September 30, 2023 to \$25,103,167, as compared to \$27,320,120 during the same period in 2022. The individual segments reported the following:

Resale gross profit related to the consumer operations for the nine months ended September 30, 2023, decreased by \$1,263,803, or 12%, to \$9,450,156, as compared to resale gross profit of \$10,713,959 during the same period in 2022. The reduction in gross profit can be attributed to a higher volume of gold bullion sales in comparison to silver bullion sales for the nine months ended September 30, 2023, as compared to the nine months ended September 30, 2022.

Resale gross profit related to the commercial operations for the nine months ended September 30, 2023, decreased by \$953,150, or 6%, to \$15,653,011, as compared to resale gross profit of \$16,606,161 during the same period in 2022. The decrease in resale gross profit was primarily due to a decrease in resale revenue of 23% during the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022.

Gross Profit - Recycled

	Nine Months Ended September 30,		Change	
	2023	2022	Amount	%
Gross Profit - Recycled				
Consolidated	\$ 6,803,064	\$ 5,724,571	\$ 1,078,493	19%
Consumer	\$ 2,218,717	\$ 1,447,450	\$ 771,267	53%
Commercial	\$ 4,584,347	\$ 4,277,121	\$ 307,226	7%

Recycled gross profit increased by \$1,078,493, or 19%, during the nine months ended September 30, 2023, to \$6,803,064, as compared to \$5,724,571 during the same period in 2022. The individual segments reported the following:

Recycled gross profit related to the consumer operations for the nine months ended September 30, 2023, increased by \$771,267, or 53%, to \$2,218,717, as compared to gross profit of \$1,447,450 during the same period in 2022. The increase in recycled gross profit was primarily due to the increase of recycled revenue by 39% during the nine months ended September 30, 2023, as compared to the nine months ended September 30, 2022.

Recycled gross profit related to the commercial operations for the nine months ended September 30, 2023, increased by \$307,226, or 7%, to \$4,584,347, as compared to gross profit of \$4,277,121 during the same period in 2022. The increase in recycled gross profit was due primarily to an increase in recycled revenue during the nine months ended September 30, 2023, as compared to the nine months ended September 30, 2022.

	For The Nine Months Ended September 30,					
	2023			2022		
	Consumer	Commercial	Consolidated	Consumer	Commercial	Consolidated
Revenue:						
Sales	\$103,227,033	\$31,731,805	\$134,958,838	\$96,549,253	\$38,703,249	\$135,252,502
Cost of goods sold	91,558,160	11,494,447	103,052,607	84,387,844	17,819,967	102,207,811
Gross profit	11,668,873	20,237,358	31,906,231	12,161,409	20,883,282	33,044,691
Expenses:						
Selling, general and administrative expenses	7,457,628	16,256,609	23,714,237	6,803,054	14,904,735	21,707,789
Depreciation and amortization	253,385	774,853	1,028,238	311,419	795,008	1,106,427
	7,711,013	17,031,462	24,742,475	7,114,473	15,699,743	22,814,216
Operating income	3,957,860	3,205,896	7,163,756	5,046,936	5,183,539	10,230,475
Other income/expense:						
Other income	70,315	486,553	556,868	29,970	61,190	91,160
Interest expense	177,458	171,460	348,918	183,523	180,715	364,238
Income before income taxes	3,850,717	3,520,989	7,371,706	4,893,383	5,064,014	9,957,397
Income tax expense	778,150	756,037	1,534,187	48,811	95,794	144,605
Net income	\$ 3,072,567	\$ 2,764,952	\$ 5,837,519	\$ 4,844,572	\$ 4,968,220	\$ 9,812,792

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Selling, General and Administrative

	Nine Months Ended September 30,		Change	
	2023	2022	Amount	%
Selling, General and Administrative				
Consolidated	\$ 23,714,237	\$ 21,707,789	\$ 2,006,448	9%
Consumer	\$ 7,457,628	\$ 6,803,054	\$ 654,574	10%
Commercial	\$ 16,256,609	\$ 14,904,735	\$ 1,351,874	9%

Selling, General and Administrative Expenses increased by \$2,006,448, or 9%, during the nine months ended September 30, 2023 to \$23,714,237, as compared to \$21,707,789 during the same period in 2022. The individual segments reported the following:

Selling, General and Administrative Expenses, for the consumer segment, for the nine months ended September 30, 2023, increased by \$654,574, or 10%, to \$7,457,628, as compared to \$6,803,054 during the same period in 2022. The increase was primarily due to increased expenses related to expanding our footprint into Arizona and other markets. Starting January 1, 2023, expenses previously classified as other expenses related to corporate campus overhead have been classified as operating expenses within the selling, general, and administrative expenses category. The corporate campus overhead for 2022 initially recorded as other expense has been restated to be included in selling, general, and administrative expenses for comparison purposes.

Selling, General and Administrative Expenses, for the commercial segment, for the nine months ended September 30, 2023, increased by \$1,351,874, or 9%, to \$16,256,609, as compared to \$14,904,735 during the same period in 2022. The increase was primarily due to increased expenses related to expanding the commercial business by increasing the corporate infrastructure. Starting January 1, 2023, expenses previously classified as other expenses related to corporate campus overhead have been classified as operating expenses within the selling, general, and administrative expenses category. The corporate campus overhead for 2022 initially recorded as other expense has been restated to be included in selling, general, and administrative expenses for comparison purposes.

Depreciation and Amortization

	Nine Months Ended September 30,		Change	
	2023	2022	Amount	%
Depreciation and Amortization				
Consolidated	\$ 1,028,238	\$ 1,106,427	\$ (78,189)	-7%
Consumer	\$ 253,385	\$ 311,419	\$ (58,034)	-19%
Commercial	\$ 774,853	\$ 795,008	\$ (20,155)	-3%

Depreciation and amortization decreased by \$78,189, or 7%, during the nine months ended September 30, 2023 to \$253,385, as compared to \$311,419 during the same period in 2022. The individual segments reported the following:

Depreciation and amortization, for the consumer segment, for the nine months ended September 30, 2023, decreased by \$58,034, or 19%, to \$253,385, as compared to \$311,419 during the same period in 2022. The decrease was primarily due to some of the fixed assets being fully depreciated plus some of the intangible assets being fully amortized.

Depreciation and amortization, for the commercial segment, for the nine months ended September 30, 2023, decreased by \$20,155, or 3%, to \$774,853, as compared to \$795,008 during the same period in 2022. The decrease was primarily due to some of the fixed assets being fully depreciated.

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Other Income

	Nine Months Ended September 30,		Change	
	2023	2022	Amount	%
Other Income				
Consolidated	\$ 556,868	\$ 91,160	\$ 465,708	511%
Consumer	\$ 70,315	\$ 29,970	\$ 40,345	135%
Commercial	\$ 486,553	\$ 61,190	\$ 425,363	695%

Other income increased by \$465,708, or 511%, during the nine months ended September 30, 2023 to \$556,868, as compared to \$91,160 during the same period in 2022. The individual segments reported the following:

Other income, for the consumer segment, for the nine months ended September 30, 2023, was \$70,315, as compared to \$29,970 during the same period in 2022, an increase of \$40,345, or 135%. The increase in other income for the nine months ended September 30, 2023, as compared to the nine months ended September 30, 2022 was primarily due to an increase in interest earned from bank accounts of approximately \$45,000. During December of fiscal 2022, the Company began to move excess working capital funds to savings accounts that paid higher interest rates. Starting January 1, 2023, expenses previously classified as other expenses related to corporate campus overhead have been classified as operating expenses within the selling, general, and administrative expenses category. The corporate campus overhead for 2022 initially recorded as other expense has been restated to be included in selling, general, and administrative expenses for comparison purposes.

Other income, for the commercial segment, for the nine months ended September 30, 2023, was \$486,553, as compared to \$61,190 during the same period in 2022, an increase of \$425,363, or 695%. The increase in other income for the nine months ended September 30, 2023, as compared to the nine months ended September 30, 2022 was primarily due to an increase in interest earned from bank accounts of approximately \$297,000, and notes receivable interest received of \$94,115 from notes receivable formerly written off during fiscal year 2021. During December of fiscal 2022, the Company began to move excess working capital funds to savings accounts that paid higher interest rates. Starting January 1, 2023, expenses previously classified as other expenses related to corporate campus overhead have been classified as operating expenses within the selling, general, and administrative expenses category. The corporate campus overhead for 2022 initially recorded as other expense has been restated to be included in selling, general, and administrative expenses for comparison purposes.

Interest Expense

	Nine Months Ended September 30,		Change	
	2023	2022	Amount	%
Interest Expense				
Consolidated	\$ 348,918	\$ 364,238	\$ (15,320)	-4%
Consumer	\$ 177,458	\$ 183,523	\$ (6,065)	-3%
Commercial	\$ 171,460	\$ 180,715	\$ (9,255)	-5%

Interest expense decreased by \$15,320, or 4%, during the nine months ended September 30, 2023 to \$348,918, as compared to \$364,238 during the same period in 2022. The individual segments reported the following:

Interest expense, for the consumer segment, for the nine months ended September 30, 2023, decreased by \$6,065, or 3%, to \$177,458, as compared to \$183,523 during the same period in 2022. The decrease was primarily due to reduced loan balances during the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022.

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Interest expense, for the commercial segment, for the nine months ended September 30, 2023, decreased by \$9,255, or 5%, to \$171,460, as compared to \$180,715 during the same period in 2022. The decrease was primarily due to reduced loan balances during the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022.

Income Tax Expense

	Nine Months Ended September 30,		Change	
	2023	2022	Amount	%
Income Tax Expense				
Consolidated	\$ 1,534,187	\$ 144,605	\$ 1,389,582	961%
Consumer	\$ 778,150	\$ 48,811	\$ 729,339	1494%
Commercial	\$ 756,037	\$ 95,794	\$ 660,243	689%

Income tax expense, for both segments, for the nine months ended September 30, 2023, was \$1,534,187, an increase of \$1,389,582, as compared to income tax expense of \$144,605 for the nine months ended September 30, 2022. Currently, the Company has a deferred tax asset reflecting net operating losses brought over from prior years. Through fiscal 2022, there was an off-setting valuation allowance associated with the deferred tax asset. The valuation allowance was written off as of December 31, 2022. Starting January 1, 2023, the Company has a federal tax rate of approximately 21%, in addition to other state and local taxes, on net income before taxes. The effective income tax rate was 20.8% and 1.5% for the nine months ended September 30, 2023 and 2022, respectively. Differences between our effective income tax rate and the U.S. federal statutory rate are the result of state taxes, non-deductible expenses and changes in the valuation allowance in relation to the deferred tax asset for net operating loss carryforwards, as was the Company's case for the increase for the nine months ended September 30, 2023, as compared to the nine months ended September 30, 2022.

Net Income

	Nine Months Ended September 30,		Change	
	2023	2022	Amount	%
Net Income				
Consolidated	\$ 5,837,519	\$ 9,812,792	\$ (3,975,273)	-41%
Consumer	\$ 3,072,569	\$ 4,844,572	\$ (1,772,003)	-37%
Commercial	\$ 2,764,950	\$ 4,968,220	\$ (2,203,270)	-44%

Net income decreased by \$3,975,273, or 41%, during the nine months ended September 30, 2023 to \$5,837,519, as compared to \$9,812,792 during the same period in 2022. The individual segments reported the following:

Net income related to the consumer operations for the nine months ended September 30, 2023, decreased by \$1,772,003, or 37%, to \$3,072,569, as compared to \$4,844,572 during the same period in 2022. The decrease in net income was due primarily to the increased tax expense of \$729,339, the decrease in gross profit of \$492,536 and the increase in selling, general and administrative expenses of \$654,574 for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022.

Net income related to the commercial operations for the nine months ended September 30, 2023, decreased by \$2,203,270, or 44%, to \$2,764,950, as compared to \$4,968,220 during the same period in 2022. The decrease in net income for the nine months ended September 30, 2023 was due primarily to an increase in income tax expense of \$660,243, an increase in selling, general and administrative expenses of \$1,351,874, a decrease in gross profit of \$645,924 and offset by an increase in other income of \$425,373, as compared to the nine months ended September 30, 2022.

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Earnings Per Share

	Nine Months Ended September 30,		Change	
	2023	2022	Amount	%
Earnings Per Share (consolidated)	\$ 0.22	\$ 0.36	\$ (0.14)	-39%

Earnings per share, for the nine months ended September 30, 2023, for net income per basic and diluted shares attributable to holders of our Common Stock was \$0.22, compared to \$0.36 per basic and diluted shares attributable to holders of our Common Stock for the nine months ended September 30, 2022.

Liquidity and Capital Resources

The following table summarizes our cash flows for the periods indicated.

	Nine Months Ended September 30,	
	2023	2022
Net cash provided by (used in):		
Operating activities	\$ 3,469,991	\$ 7,725,140
Investing activities	(1,285,362)	(444,185)
Financing activities	(2,049,209)	(2,450,347)
Net increase in cash and cash equivalents	\$ 135,420	\$ 4,830,608

During the nine months ended September 30, 2023, cash flows provided by operations totaled \$3,469,991, and during the nine months ended September 30, 2022, cash flows provided by operations totaled \$7,725,140, a decrease of \$4,255,149. Cash provided by operations for the nine months ended September 30, 2023 was driven primarily by net income added to non-cash items of depreciation and amortization, bad debt and deferred taxes of \$8,651,902, a reduction of prepaid expenses of \$165,863, an increase in customer deposits and other liabilities of \$284,085 and an increase in accounts payable and accrued expenses of \$106,071, offset by an increase in inventories of \$4,295,072, an increase in other assets of \$55,601 and an increase in trade receivables of \$1,385,580. Cash provided by operations for the nine months ended September 30, 2022 was driven largely by net income added to non-cash items of depreciation, amortization and bad debt of \$10,992,637, a decrease in other assets of \$311,420 and an increase in accounts payable and accrued expenses of \$1,924,658, offset by an increase in inventories of \$4,014,627, an increase in prepaid expenses of \$1,213,187, an increase in trade receivables of \$97,994 and the decrease in customer deposits and other liabilities of \$186,590.

During the nine months ended September 30, 2023 and 2022, cash flows used in investing activities totaled \$1,285,362 and \$444,185, respectively, a period-over-period increase of \$841,177. Cash used in investing activities during the nine months ended September 30, 2023 was primarily due to the purchase of property and equipment of \$1,563,612 and from the Kretchmer Transaction of \$300,000, offset by the reduction in note receivable of \$578,250. Cash used in investing activities during the nine months ended September 30, 2022 was primarily due to the purchase of additional property and equipment of \$227,197 and the addition to the acquisition of Avail assets and liabilities of \$216,988.

During the nine months ended September 30, 2023 and 2022, cash flows used in financing totaled \$2,049,209 and \$2,450,347, respectively, a period-over-period decrease of \$401,138. Cash used in financing during the nine months ended September 30, 2023 was due from payments made against notes payable of \$930,858, repurchase of Company stock on the open market of \$1,318,351, offset by the loan proceeds from the Kretchmer Transaction of \$200,000. Cash used in financing during the nine months ended September 30, 2022 was due from payments made against notes payable of \$750,347 and payments made against the line of credit of \$1,700,000.

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We expect our capital expenditures to total approximately \$4,000,000 during the next 12 months. These expenditures will be driven by the purchase of additional equipment and potential property purchases by both segments seeking to expand the Company into other markets. The Company has an outstanding capital commitment of \$100,000 to build-out the consumer building purchased in Phoenix, Arizona on May 4, 2023.

Our primary source of liquidity and capital resources currently consist of cash generated from our operating results and current borrowings, including the Truist Lewisville Loan, the TB&T Grapevine Loan, the TB&T Irving Loan, the TB&T Frisco Loan and two FSB loans. For more information, see Note 13 to our interim condensed financial statements, which is incorporated into this item by reference. In addition, on November 23, 2021, the Company secured a thirty-six month line of credit from Farmers State Bank of Oakley Kansas (the "FSB Facility") for up to \$3,500,000. The FSB Facility has an annual interest rate of 3.1%. We maintain the FSB Facility to help fund cash shortfalls that we may have from time to time. We do not currently anticipate the need of those funds for operations and do not currently have any amounts drawn against the FSB Facility as of September 30, 2023.

From time to time, we have adjusted and may further adjust our inventory levels to meet seasonal demand or in order to meet working capital requirements. Management believes we have sufficient capital resources to meet working capital requirements. In the event of significant growth in retail and wholesale jewelry sales and recycling demand, whether purchases or services, our demand for additional working capital will increase due to a related need to stock additional jewelry inventory, increases in wholesale accounts receivable and the purchasing of recycled material. Historically we have funded these activities through operations. If additional working capital is required, we will seek additional loans from individuals or other commercial banks. If necessary, inventory levels may be adjusted in order to meet unforeseen working-capital requirements.

We have historically renewed, extended or replaced short-term debt as it matures, and management believes that we will be able to continue to do so in the near future.

The Company leases certain of its facilities under operating leases. The minimum rental commitments, under non-cancellable operating leases, excluding imputed interest, as of September 30, 2023 are as follows:

Operating Leases	Total	2023	2024	2025	2026	Thereafter
Consumer (excluding the nine months ending September 30, 2023)	\$1,528,159	\$ 136,357	\$ 552,414	\$ 434,274	\$ 355,000	\$ 50,114
Commercial (excluding the nine months ending September 30, 2023)	3,564,973	339,766	1,396,129	1,321,297	474,326	33,455
Total	\$5,093,132	\$ 476,123	\$1,948,543	\$1,755,571	\$ 829,326	\$ 83,569

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to our stockholders.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Because we are a “smaller reporting company,” we are not required to disclose the information required by this item.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and our principal financial officer, evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2023. We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow for timely decisions regarding required disclosure. Based on the evaluation of our disclosure controls and procedures as of September 30, 2023, our principal executive officer and principal financial officer concluded that, as of such date, our disclosure controls and procedures were effective to provide reasonable assurance of the foregoing.

We believe, however, that a controls system, no matter how well designed and operated, cannot provide absolute assurance of achieving their objectives, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud or error, if any, within a company have been detected.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the period covered by this Quarterly Report on Form 10-Q that materially affected, or were reasonably likely to materially affect, our internal control over financial reporting.

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PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There are various claims, lawsuits and pending actions against the Company arising in the normal course of the Company's business. It is the opinion of management that the ultimate resolution of these matters will not have a material adverse effect on the Company's financial condition, results of operations or cash flow. Management is also not aware of any legal proceedings contemplated by government agencies of which the outcome is reasonable likely to have a material adverse effect on the Company's financial condition, results of operations or cash flow.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors previously disclosed under Part I, Item 1A, "Risk Factors" in the Company's 2022 Annual Report.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES, USE OF PROCEEDS AND ISSUER PURCHASES OF EQUITY SECURITIES

Repurchases

The following lists the repurchase of Company shares for the three months ended September 30, 2023:

Fiscal Period	Total number of shares purchased (1)	Average price paid per share (\$)	Total number of shares purchased as part of publicly announced plan or program (2)	Maximum number of shares that may yet be purchased under the plans or program
Beginning balance	27,421	\$ 7.10	27,421	972,579
July 1 - 31, 2023	-	-	-	972,579
August 1 - 31, 2023	197,210	5.70	197,210	775,369
September 1 - 30, 2023	-	-	-	775,369
Total	224,631	\$ 5.87	224,631	775,369

(1) All shares were purchased in open-market transactions through the stock repurchase program approved by the Board on March 14, 2023 for the repurchase of up to one million shares of the Company's common stock.

(2) The stock repurchase program was publicly announced on May 3, 2023 and expires March 31, 2026. Repurchases under the stock repurchase program began on May 10, 2023.

The timing and amount of any common stock repurchased under the program will depend on a variety of factors including price, corporate and regulatory requirements, capital availability, and other market conditions.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

ITEM 5. OTHER INFORMATION

None

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ITEM 6. EXHIBITS

Exhibit Number	Description	Filed Herein	Incorporated by Reference	Form	Date Filed with SEC	Exhibit Number
31.1	Certification pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934 implementing Section 302 of the Sarbanes-Oxley Act of 2002 by John R. Loftus	X				
31.2	Certification pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934 implementing Section 302 of the Sarbanes-Oxley Act of 2002 by Bret A. Pedersen	X				

<u>32.1</u>	<u>Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by John R. Loftus</u>	X
<u>32.2</u>	<u>Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Bret A. Pedersen</u>	X
101.INS	XBRL Instance Document	X
101.SCH	XBRL Taxonomy Extension Schema Document	X
101.CAL	XBRL Taxonomy Calculation Linkbase Document	X
101.DEF	XBRL Taxonomy Definition Linkbase Document	X
101.LAB	XBRL Taxonomy Label Linkbase Document	X
101.PRE	XBRL Taxonomy Presentation Linkbase Document	X
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in exhibit 101)	X

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ENVELA CORPORATION
(Registrant)

Date: November 8, 2023

By: /s/ JOHN R. LOFTUS

John R. Loftus
Chief Executive Officer
(Principal Executive Officer)

Date: November 8, 2023

/s/ BRET A. PEDERSEN

Bret A. Pedersen
Chief Financial Officer
(Principal Accounting Officer)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER**PURSUANT TO****RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,****IMPLEMENTING SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, John R. Loftus, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Envela Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2023

By: /s/ JOHN R. LOFTUS

John R. Loftus
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF CHIEF FINANCIAL OFFICER**PURSUANT TO****RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,****IMPLEMENTING SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Bret A. Pedersen, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Envela Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2023

By: /s/ BRET A. PEDERSEN

Bret A. Pedersen
Chief Financial Officer
(Principal Accounting Officer)

**Certification Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1150)**

The undersigned, as the Chief Executive Officer of Envela Corporation, certifies, to the best of his knowledge, that the Quarterly Report on Form 10-Q for the quarter ended September 30, 2023, which accompanies this certification fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the periodic report fairly presents, in all material respects, the financial condition and results of operations of Envela Corporation at the dates and for the periods indicated. The foregoing certification is made pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1150) and shall not be relied upon for any other purpose.

Date: November 8, 2023

By: /s/ JOHN R. LOFTUS

John R. Loftus
Chief Executive Officer
(Principal Executive Officer)

**Certification Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1150)**

The undersigned, as the Chief Financial Officer of Envela Corporation, certifies, to the best of his knowledge, that the Quarterly Report on Form 10-Q for the quarter ended September 30, 2023, which accompanies this certification fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the periodic report fairly presents, in all material respects, the financial condition and results of operations of Envela Corporation at the dates and for the periods indicated. The foregoing certification is made pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1150) and shall not be relied upon for any other purpose.

Date: November 8, 2023

By: /s/ BRET A. PEDERSEN

Bret A. Pedersen
Chief Financial Officer
(Principal Accounting Officer)