

**HOFFMAN & HOFFMAN, INC.  
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2023 AND 2022**



# HOFFMAN & HOFFMAN, INC. AND SUBSIDIARIES

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## **Independent Auditor's Report**

To the Board of Directors (Management)  
Hoffman & Hoffman, Inc.  
Greensboro, NC

### ***Opinion***

We have audited the consolidated financial statements of Hoffman & Hoffman, Inc. and its subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hoffman & Hoffman, Inc. and its subsidiaries as of December 31, 2023 and 2022, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibility of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements (Continued)***

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### ***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating balance sheet and the consolidating statement of income are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Bernard Robinson & Company, L.L.P.*

Greensboro, North Carolina  
May 2, 2024

**HOFFMAN & HOFFMAN, INC. AND SUBSIDIARIES**  
**Consolidated Balance Sheets**  
**December 31, 2023 and 2022**

	<u>Assets</u>	
	<u>2023</u>	2022 (As Restated)
Current Assets:		
Cash and cash equivalents	\$ 92,994	\$ 2,814,233
Contracts receivable, including retainage of \$4,395,302 - 2023 and \$2,927,867 - 2022, net of allowance for credit losses of \$138,365 - 2023 and \$77,000 - 2022	29,332,325	20,346,600
Accounts receivable, trade, net of allowance for credit losses of \$328,000 - 2023 and \$162,791 - 2022	76,553,784	54,415,529
Other receivables	3,805,512	994,943
Inventories	10,831,156	8,089,673
Work orders in process	5,841,796	1,994,700
Costs and estimated earnings in excess of billings on uncompleted contracts	6,885,623	5,509,167
Prepaid expenses and other current assets	2,086,069	1,252,551
Total current assets	<u>135,429,259</u>	<u>95,417,396</u>
Other Assets:		
Cash value of life insurance	-	631,478
Operating lease - right of use asset	6,239,874	6,408,221
Other investment	561,983	308,699
Intangibles, net	38,912	47,408
Goodwill, net	11,950,480	13,385,864
	<u>18,791,249</u>	<u>20,781,670</u>
Equipment and Leasehold Improvements:		
Building	18,310,221	17,737,631
Computers and software	1,474,069	1,783,533
Automobiles	17,106,618	13,330,632
Leasehold improvements	5,452,118	5,375,076
Warehouse office	1,381,403	1,112,562
Equipment	896,301	737,839
Construction in progress	637,397	-
	<u>45,258,127</u>	<u>40,077,273</u>
Less accumulated depreciation and amortization	16,595,192	13,716,965
	<u>28,662,935</u>	<u>26,360,308</u>
Total assets	<u>\$ 182,883,443</u>	<u>\$ 142,559,374</u>

**HOFFMAN & HOFFMAN, INC. AND SUBSIDIARIES**  
**Consolidated Balance Sheets**  
**December 31, 2023 and 2022**

**Liabilities and Stockholders' Equity**

	<u>2023</u>	2022 (As Restated)
Current Liabilities:		
Checks written in excess of bank balance	\$ 4,772,684	\$ -
Accounts payable, trade	14,253,192	14,613,905
Contracts and other payables	4,299,891	3,369,385
Accrued expenses and other liabilities	36,546,788	29,303,879
Customer deposits	7,800	15,000
Billings in excess of costs and estimated earnings on uncompleted contracts	14,799,568	4,570,415
Operating lease liability, current portion	1,899,961	1,463,784
Current portion of long-term debt	<u>800,000</u>	<u>800,000</u>
	<u>77,379,884</u>	<u>54,136,368</u>
Noncurrent Liabilities:		
Operating lease liability, net of current portion	4,525,061	5,014,171
Long-term debt, net of current portion	4,600,000	6,400,000
Line of credit	<u>226,418</u>	<u>610,151</u>
Total liabilities	<u>86,731,363</u>	<u>66,160,690</u>
Stockholders' Equity:		
Common stock, par value \$0.10 per share, authorized 500,000,000 shares; issued and outstanding 556,000 shares in 2023 and 2022	55,600	55,600
Additional paid in capital	12,317,112	8,944,454
Unearned employee stock ownership plan shares	(14,434,895)	(15,868,899)
Noncontrolling interest in consolidated entities	782,221	852,462
Retained earnings	<u>97,432,042</u>	<u>82,415,067</u>
	<u>96,152,080</u>	<u>76,398,684</u>
Total liabilities and stockholders' equity	<u>\$ 182,883,443</u>	<u>\$ 142,559,374</u>

**HOFFMAN & HOFFMAN, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Income**  
**Years Ended December 31, 2023 and 2022**

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	<u>2023</u>	<u>2022</u> (As Restated)
Net Sales and Contract Revenue Earned	<b>\$ 495,541,961</b>	\$ 371,978,057
Cost of Goods Sold and Cost of Revenue Earned	<b>345,609,575</b>	257,080,518
Gross profit	<b>149,932,386</b>	114,897,539
Commission Income	<b>2,775,828</b>	1,936,294
	<b>152,708,214</b>	116,833,833
Operating Expenses:		
Selling	<b>82,950,451</b>	58,212,407
General and administrative expenses	<b>54,523,559</b>	46,807,549
	<b>137,474,010</b>	105,019,956
Operating income	<b>15,234,204</b>	11,813,877
Other Income (Expenses), net	<b>(232,685)</b>	(55,668)
Income before income taxes	<b>15,001,519</b>	11,758,209
Income Taxes, net	<b>54,785</b>	271,823
Net income before noncontrolling interest	<b>14,946,734</b>	11,486,386
Net loss attributable to noncontrolling interest	<b>(70,241)</b>	(96,795)
Net income attributable to controlling interest	<b>\$ 15,016,975</b>	\$ 11,583,181

**HOFFMAN & HOFFMAN, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Stockholders' Equity**  
**Years Ended December 31, 2023 and 2022**

	Common Stock	Additional Paid in Capital	Unearned Employee Stock Ownership Plan Shares	Noncontrolling Interest in Consolidated Entities	Retained Earnings	Total
Balance, January 1, 2022, as previously stated	\$ 55,600	\$ 5,160,239	\$(17,277,242)	\$ 949,257	\$ 72,459,933	\$ 61,347,787
Restatement	-	1,628,047	-	-	(1,628,047)	-
Balance, January 1, 2022, as restated	55,600	6,788,286	(17,277,242)	949,257	70,831,886	61,347,787
Issuance of Common Stock	-	-	-	-	-	-
Contributions	-	-	-	-	-	-
Net income (loss)	-	-	-	(96,795)	11,583,181	11,486,386
ESOP shares released	-	2,156,168	1,408,343	-	-	3,564,511
Balance, December 31, 2022	55,600	8,944,454	(15,868,899)	852,462	82,415,067	76,398,684
Issuance of Common Stock	-	-	-	-	-	-
Contributions	-	-	-	-	-	-
Stock Redemption	-	-	-	-	-	-
Net income (loss)	-	-	-	(70,241)	15,016,975	14,946,734
ESOP shares released	-	3,372,658	1,434,004	-	-	4,806,662
Balance, December 31, 2023	<u>\$ 55,600</u>	<u>\$ 12,317,112</u>	<u>\$ (14,434,895)</u>	<u>\$ 782,221</u>	<u>\$ 97,432,042</u>	<u>\$ 96,152,080</u>

**HOFFMAN & HOFFMAN, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2023 and 2022**

	2023	2022 (As Restated)
Cash flows from operating activities:		
Net income	\$ 14,946,734	\$ 11,486,386
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	3,924,763	2,516,654
Amortization, intangibles	1,593,878	1,513,531
Amortization, ROU assets	168,347	-
Release of ESOP Shares	3,372,658	2,156,168
Change in cash value of life insurance over premiums charged	-	(33,946)
Gain on disposal of fixed assets	(70,476)	(20,309)
Bad debt, net of recoveries	(317,527)	59,975
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable, trade	(21,893,619)	(11,212,311)
Contracts receivable	(8,912,834)	(2,799,940)
Other receivables	(2,810,569)	(168,149)
Inventories	(2,741,483)	(3,180,759)
Work orders in process	(3,847,096)	(752,220)
Cost and estimated earnings in excess of billings on uncompleted contracts	(1,376,456)	(3,087,798)
Prepaid expenses and other current assets	(833,518)	(11,439)
Increase (decrease) in:		
Accounts payable	(360,713)	5,847,346
Contracts and other payables	930,506	(1,060,598)
Accrued expenses and other liabilities	7,092,911	4,274,963
Customer deposits	(7,200)	(7,200)
Operating lease liability	(52,933)	-
Billings in excess of costs and estimated earnings on uncompleted contracts	10,229,153	(1,715,942)
Net cash provided by (used in) operating activities	<u>(965,474)</u>	<u>3,804,412</u>
Cash flows from investing activities:		
Proceeds from life insurance policies	631,478	-
Purchase of equipment and leasehold improvements	(6,252,644)	(13,432,606)
Proceeds from sale of vehicles	95,730	147,388
Payment of collateral to captive insurance program	(253,284)	(17,100)
Purchase of intangible assets	-	(1,590,959)
Net cash used in investing activities	<u>(5,778,720)</u>	<u>(14,893,277)</u>
Cash flows from financing activities:		
Net repayments on line of credit	(383,733)	(531,286)
Checks written in excess of bank balance	4,772,684	-
Proceeds from repayment of ESOP loan	1,434,004	1,408,343
Principal payments on long-term debt	(1,800,000)	(800,000)
Net cash provided by financing activities	<u>4,022,955</u>	<u>77,057</u>
Net decrease in cash and cash equivalents	(2,721,239)	(11,011,808)
Cash and cash equivalents, beginning of year	2,814,233	13,826,041
Cash and cash equivalents, end of year	<u>\$ 92,994</u>	<u>\$ 2,814,233</u>
Supplemental disclosures of cash flow information:		
Cash payments for income taxes	\$ 54,785	\$ 271,823
Cash payments for interest expense	<u>\$ 481,893</u>	<u>\$ 222,719</u>

*See Notes to Consolidated Financial Statements*

## **HOFFMAN & HOFFMAN, INC. AND SUBSIDIARIES**

### **Notes to Consolidated Financial Statements**

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#### NOTE A - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### **Nature of Business**

Hoffman & Hoffman, Inc. ("H&H") operates primarily as a manufacturer's representative of heating and air conditioning equipment, principally in North Carolina, South Carolina, Virginia and Tennessee. Hoffman & Hoffman, Inc. sells on credit terms it establishes for individual customers.

Hoffman Parts & Warehouse, LLC ("HPW") operates primarily to provide parts inventory to the Company's domestic operations, principally in North and South Carolina. Hoffman Parts & Warehouse, LLC sells on credit terms it establishes for individual customers.

Hoffman Building Technologies, Inc. ("HBT") specializes in the programming, implementation and servicing of HVAC controls equipment, principally in North Carolina, South Carolina and Virginia. HBT enters into long-term construction contracts that sometimes extend beyond one year.

Hoffman Mechanical Solutions, Inc. ("HMS") provides commercial and industrial HVAC preventative maintenance and repair services to customers throughout North Carolina, South Carolina, Virginia and Tennessee.

Hoffman & Hoffman Ireland, Limited ("HHIL") operates in a managerial and support role to the Company's foreign based construction contracts.

Heat Transfer Sales, LLC ("HTS") operates primarily as a manufacturer's representative of hydronic pumping equipment and systems, principally in North Carolina and South Carolina. HTS also engages in the business of fabricating, servicing, and maintaining hydronic pumping equipment.

Upper Asbury, LLC ("UA") operates as a real estate holding entity for the Company's facility located in Charlotte, NC. During 2022, construction and renovations were completed and as of December 31, 2022, the facility is fully operating.

Hoffman Custom Solutions ("HCS") is owned 80% by H&H and 20% by a noncontrolling interest. HCS operates primarily as a manufacturer's representative of a custom air handler line, principally in North and South Carolina.

SafTDek ("SD") specializes in the selling of fall protection platform systems for technicians working on elevated machinery.

##### **Principles of Consolidation**

The consolidated financial statements include the accounts of H&H, HPW, HHIL, HBT, HMS, HHY, UA, HCS and SD (collectively referred to as the "Company"). All significant intercompany transactions and profits have been eliminated.

A summary of the Company's significant accounting policies follows:

##### **Adoption of New Accounting Standard**

On January 1, 2023, the Company adopted the requirements of Accounting Standards Update ("ASU") 2016-13, Financial Instruments - Credit Losses (Topic 326). This ASU, along with related ASUs issued subsequently, revises the accounting requirements related to the measurement of credit losses and requires organizations to measure all expected credit losses for financial assets based on historical experience, current conditions, and reasonable and supportable forecasts about collectability. Assets must be presented in the financial statements at the net amount expected to be collected.

## **HOFFMAN & HOFFMAN, INC. AND SUBSIDIARIES**

### **Notes to Consolidated Financial Statements**

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#### NOTE A - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### **Adoption of New Accounting Standard (Continued)**

The Company does not expect Topic 326 to have a significant impact on its financial condition or results of operations on an ongoing basis.

##### **Reclassifications**

Certain amounts from the 2022 consolidated financial statements have been reclassified to conform to the 2023 presentation. Previously reported net income and stockholders' equity is unchanged due to the reclassifications.

##### **Cash and Cash Equivalents**

For cash flow purposes, the Company considers all cash accounts, which are not subject to withdrawal restrictions or penalties and certificates of deposit with an original maturity of three months or less as cash and cash equivalents.

##### **Contracts Receivable**

The Company records contracts receivable at total unpaid balance, which approximates estimated fair value. The Company determines past-due status of individual contracts receivable based on the contractual terms of the original sale. The Company establishes an allowance for estimated uncollectible amounts based on the current composition of receivables, existing economic conditions and management's assessment of a customer's ability to pay. Contract receivables that management believes to be ultimately not collectible are written off upon such determination.

##### **Accounts Receivable, Trade**

Accounts receivable, trade are recorded at total unpaid balance, net of allowance for credit losses. The Company determines past-due status of individual accounts receivable based on the original billing date and does not charge interest for amounts over 90 days past due. The Company estimates its allowance for credit losses based on a combination of factors, including the Company's knowledge of the current composition of receivables, historical losses, existing economic conditions and management's assessment of a customer's ability to pay. Accounts receivable that management believes to be ultimately not collectible are written off upon such determination.

##### **Inventory**

Inventory is valued at the lower of cost or net realizable value. Cost is determined using the first-in, first-out (FIFO) method.

##### **Customer Deposits**

Cash received prior to shipment of the related inventory or prior to services performed are credited to customer deposits. These amounts are recognized as sales when the goods are shipped or service is performed.

## HOFFMAN & HOFFMAN, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

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#### NOTE A - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### **Equipment and Leasehold Improvements**

Equipment and leasehold improvements are stated at cost. Depreciation is provided under the straight-line method. Assets are depreciated over their estimated useful lives. Leasehold improvements are amortized over the shorter of the estimated lives of the improvements or the lease term. Management has determined the following useful lives based on type of asset:

Equipment	5 years
Software	3 years
Furniture and fixtures	5-7 years
Leasehold improvements	7-31 years

##### **Goodwill**

The Company uses the accounting alternatives provided in FASB Accounting Standards Codification Topic 350: Accounting for Goodwill and Topic 805: Accounting for Identifiable Intangible Assets in a Business Combination. These accounting alternatives allow the Company to no longer recognize separately customer-related intangible assets or noncompetition agreements from goodwill, and goodwill is amortized on a straight-line basis over a period of ten years, or less than ten years if any entity can demonstrate that another useful life is more appropriate. The Company has amortized approximately \$1,594,000 and \$1,435,000 of goodwill for the years ended December 31, 2023 and 2022, respectively. The Company tests for goodwill impairment upon the occurrence of an event or circumstance that may indicate the fair value of the Company is less than its carrying amount and has elected to perform this test at the entity level. No indicators of impairment were identified during the years ended December 31, 2023 and 2022.

##### **Sales Taxes**

The Company collects sales tax from customers and records the sales tax as a liability, included in accrued expenses and other liabilities on the balance sheet. Those taxes are remitted to the appropriate state and local taxing authorities when due.

##### **Revenue Recognition**

The Company derives its revenues primarily from contracts with customers to sell, install, and service heating and cooling equipment. A majority of contracts contain one performance obligation. However, many contracts may contain multiple distinct promises or multiple contracts which are reviewed at contract inception to determine if they represent multiple performance obligations. When a contract has a single performance obligation, the entire transaction price is attributed to that performance obligation. When a contract has more than one performance obligation, the transaction price is allocated to each performance obligation based on the estimated relative standalone selling price at the inception of the contract, which is typically determined using cost plus an appropriate margin. Revenues are recognized when control is transferred to its customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those products. Sales and other taxes the Company collects concurrent with revenue-producing activities are excluded from revenue.

## HOFFMAN & HOFFMAN, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

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#### NOTE A - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Revenue Recognition (Continued)

For performance obligations related to the sale of parts, control transfers to the customer at a point in time. The Company's principal terms of sale are FOB Shipping Point and FOB Destination and the Company transfers control and records revenue for product sales either upon shipment or delivery to the customer, respectively.

For performance obligations related to services performed, control transfers to the customer over time as the services typically create or enhance an asset that the customer controls as the asset is created or enhanced. Revenue is recorded based on the percentage of costs incurred to date to the estimated total costs for each contract. Contract costs include all direct material, subcontracted and labor costs and those indirect costs related to contract performance, such as indirect labor, field offices, equipment, repairs, and depreciation.

Changes in job performance, job conditions, and estimated profitability may result in revisions to costs and income and are recognized in the period in which the revisions are determined. An amount equal to contract costs attributable to claims is included in revenue when realization is probable and the amount can be reliably estimated.

Subsequent to the inception of a contract, the transaction price could change for various reasons, including executed change orders or contract modifications. Changes that are accounted for as an adjustment to existing performance obligations are allocated on the same basis as at contract inception. Otherwise, changes are accounted for as a separate performance obligation. Changes in job performance, job conditions, and estimated profitability may result in revisions to costs and are recognized in the period in which the revisions are determined. An amount equal to contract costs attributable to claims is included in revenue when realization is probable and the amount can be reliably estimated.

The nature of the Company's business gives rise to variable consideration, including rebates, allowances, and returns that generally decrease the transaction price which reduces revenue. These variable amounts are generally credited to the customer, based on achieving certain levels of sales activity, product returns or price concessions. Variable consideration is estimated at the most likely amount that is expected to be earned. Estimated amounts are included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Estimates of variable consideration are estimated based upon historical experience and known trends. The following table disaggregates the Company's revenue based on the timing of satisfaction of performance obligations for the year ended December 31, 2023:

	<u>2023</u>	<u>2022</u>
Performance obligations satisfied at a point in time	<u>\$ 345,733,970</u>	\$ 271,494,565
Performance obligations satisfied over time	<u>149,807,991</u>	100,483,492
Total net sales	<u>\$ 495,541,961</u>	<u>\$ 371,978,057</u>

##### Leases

Effective as of the beginning of fiscal 2022, the Company adopted *ASU 2016-02, Leases (Topic 842)* and all related amendments. The guidance requires lessees to recognize substantially all leases on their balance sheet as a right-of-use ("ROU") asset and a lease liability.

## **HOFFMAN & HOFFMAN, INC. AND SUBSIDIARIES**

### **Notes to Consolidated Financial Statements**

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#### NOTE A - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### **Leases (Continued)**

The Company leases land and buildings that are used in the operation of our offices and warehouses. The Company determines if a contract contains a lease at inception based on the Company's right to control the use of an identified asset and our right to obtain substantially all of the economic benefits from the use of that identified asset.

The Company's real estate lease terms range from one to 15 years and occasionally have renewal options of between one and five years. The Company assesses these options to determine if it is reasonably certain of exercising these options based on all relevant economic and financial factors. Any options that meet this criteria are included in the lease term at lease commencement.

Most of the Company's leases do not have an interest rate implicit in the lease. As a result, for purposes of measuring our ROU asset and lease liability, the Company determines its incremental borrowing rate by using averaging borrowing rates on our revolving line of credit.

The Company adopted the standard utilizing the transition election to not restate comparative periods for the impact of adopting the standard.

The Company has made an accounting policy election to not recognize ROU assets and lease liabilities on the balance sheet for those leases with initial terms of one year or less and instead such lease obligations will be expensed on a straight-line basis over the lease term. See Note G for additional information regarding our leases.

##### **Use of Estimates**

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

##### **Income Taxes**

The Company, with the consent of its shareholders, has elected under the Internal Revenue Code to be an S Corporation. In lieu of corporate income taxes, the shareholders of an S Corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal income taxes has been included in the financial statements. However, the Company did pay income taxes for various states that do not recognize S Corporation status that allows pass through to the shareholders.

The Company adheres to the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under this guidance, the Company may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. No material uncertain tax positions were identified for the year ended December 31, 2023.

**HOFFMAN & HOFFMAN, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements**NOTE A - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**Subsequent Events**

All the effects of subsequent events that provide additional evidence about conditions that existed at the consolidated financial statement date, including the estimates inherent in the process of preparing the consolidated financial statements, are recognized in the consolidated financial statements. The Company does not recognize subsequent events that provide evidence about conditions that did not exist at the consolidated financial statement date but arose after, but before the consolidated financial statements are available to be issued. In some cases, unrecognized subsequent events are disclosed to keep the consolidated financial statements from being misleading.

The Company has evaluated events and transactions for potential recognition or disclosure through May 2, 2024, which is the date the consolidated financial statements were available to be issued.

## NOTE B - CONTRACTS IN PROGRESS

Contracts receivable consist of the following as of December 31:

	<u>2023</u>	<u>2022</u>
Billings	\$ 25,075,388	\$ 17,495,734
Retainages	<u>4,395,302</u>	<u>2,927,866</u>
Total contracts receivable expected to be received within one year	29,470,690	20,423,600
Less allowance for credit loss	<u>(138,365)</u>	<u>(77,000)</u>
Total contracts receivable, net of allowance	<u><u>\$ 29,332,325</u></u>	<u><u>\$ 20,346,600</u></u>

Costs and estimated earnings on uncompleted contracts are as follows as of December 31:

	<u>2023</u>	<u>2022</u>
Costs incurred on uncompleted contracts	\$ 92,805,406	\$ 105,976,111
Gross profit recognized under the percentage-of-completion method	<u>32,088,208</u>	<u>38,262,456</u>
	124,893,614	144,238,567
Less billings on uncompleted jobs	<u>132,807,559</u>	<u>143,299,815</u>
	<u><u>\$ (7,913,945)</u></u>	<u><u>\$ 938,752</u></u>

The amounts above on uncompleted contracts are included in the accompanying balance sheets under the following captions:

	<u>2023</u>	<u>2022</u>
Costs and estimated earnings in excess of billings on uncompleted contracts	\$ 6,885,623	\$ 5,509,167
Billings in excess of costs and estimated earnings on uncompleted contracts	<u>(14,799,568)</u>	<u>(4,570,415)</u>
	<u><u>\$ (7,913,945)</u></u>	<u><u>\$ 938,752</u></u>

**HOFFMAN & HOFFMAN, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

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NOTE C - CURRENT EXPECTED CREDIT LOSSES

Changes in the allowance for credit losses during the year were as follows:

Balance, January 1, 2023	\$ 239,791
Adoption of Topic 326	-
Bad debt expense	316,878
Writeoffs	(90,971)
Recoveries collected	667
Balance, December 31, 2023	<u>\$ 466,365</u>

NOTE D - GOODWILL AND OTHER INTANGIBLES

Goodwill and intangibles consist of the following as of December 31, 2023 and 2022:

	<u>2023</u>			
	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Weighted Average Estimated Life (Years)
Goodwill	<u>\$ 16,165,797</u>	<u>\$ 4,215,317</u>	<u>\$ 11,950,480</u>	10
Customer lists	<u>127,440</u>	<u>88,528</u>	<u>38,912</u>	15
	<u>\$ 16,293,237</u>	<u>\$ 4,303,845</u>	<u>\$ 11,989,392</u>	
	<u>2022</u>			
Goodwill	\$ 16,015,799	\$ 2,629,935	\$ 13,385,864	10
Customer lists	127,440	80,032	47,408	15
	<u>\$ 16,143,239</u>	<u>\$ 2,709,967</u>	<u>\$ 13,433,272</u>	

Estimated future amortization expense including the amortization of intangible assets for the next five years is as follows:

<u>Year Ending December 31:</u>	
2024	\$ 1,591,380
2025	1,579,299
2026	1,578,883
2027	1,578,883
2028	1,578,883

NOTE E - LINE OF CREDIT

The Company entered into a five-year term revolving line of credit arrangement with a financial institution. The line of credit has a borrowing limit of \$15,000,000 and is secured by a first lien on the assets of the Company and its subsidiaries. Interest is payable monthly and accrues at the Daily Simple SOFR plus 1.05% per annum, as adjusted monthly. The line matures December 22, 2026.

**HOFFMAN & HOFFMAN, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

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NOTE F - LONG-TERM DEBT

In December 2021, the Company entered into a promissory note with a financial institution. The note accrues interest at LIBOR plus 1.35%, with a floor of 2.35% (5.32% at December 31, 2022). The note requires monthly principal payments of \$66,667 plus interest with all unpaid principal and interest due in December 2028.

In June 2023, the Company amended this promissory note to accrue interest at SOFR plus 1.45% with a floor of 1% plus 1.45%.

Maturities on the note subsequent to December 31, 2023 are as follows:

<u>Year Ending December 31:</u>	
2024	\$ 800,000
2025	800,000
2026	800,000
2027	800,000
2028	2,200,000
	<u>\$ 5,400,000</u>

NOTE G - RELATED PARTY TRANSACTIONS

During 2023, the Company leased buildings from 14 related party limited liability companies. Related party rent expense for the years ended December 31, 2023 and 2022 totaled approximately \$787,626 and \$687,000, respectively.

NOTE H - OPERATING LEASES

The Company leases offices, warehouses, and various office equipment that require future minimum annual payments.

See "Leases" under Note 1 for a discussion of our accounting policies and elections under Topic 842. Supplemental balance sheet information related to our leases as of December 31, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Operating leases:		
Right of use assets	\$ 6,239,874	\$ 6,408,221
Lease liabilities, short-term	\$ 1,899,961	\$ 1,463,784
Lease liabilities, long-term	\$ 4,525,061	\$ 5,014,171

The components of lease expense for the years ended December 31, 2023 and 2022 were as follows:

Operating lease expense	\$ 2,032,388	\$ 1,295,965
Variable lease expense	54,491	54,491
	<u>\$ 2,086,879</u>	<u>\$ 1,350,456</u>

**HOFFMAN & HOFFMAN, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

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NOTE H - OPERATING LEASES (Continued)

Other information:

Weighted average remaining lease term - operating leases	3.57 years
Weighted average discount rate - operation leases	4.70%

The following is a schedule by years of the future minimum rental-commitment lease payments due under these operating leases as of December 31, 2022:

	<u>Operating</u>
2023	\$ 2,153,496
2024	1,854,750
2025	1,643,096
2026	1,093,213
2027	<u>275,439</u>
Total undiscounted cash flows	7,019,994
Less: present value discount	<u>(594,972)</u>
Total lease liabilities	<u><u>\$ 6,425,022</u></u>

NOTE I - ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consist of the following at December 31:

	<u>2023</u>	<u>2022</u>
Salaries and bonuses	\$ 5,012,350	\$ 3,676,984
Commissions	18,664,180	12,208,695
Contributions and employee stock ownership plan	8,374,195	8,544,467
Sales taxes	860,005	1,168,538
Other	<u>3,636,058</u>	<u>3,705,195</u>
	<u><u>\$ 36,546,788</u></u>	<u><u>\$ 29,303,879</u></u>

NOTE J - BACKLOG (UNAUDITED)

The following schedule summarizes changes in backlog on contracts for the year ended December 31, 2023. Backlog represents the amount of revenue the Company expects to realize from work to be performed on uncompleted contracts in progress at year-end and from contractual agreements on which work has not yet begun.

Backlog at January 1, 2023	\$ 67,238,736
New contracts and change orders during 2023	<u>178,698,472</u>
	245,937,208
Less contract revenue earned during 2023	<u>137,709,805</u>
Backlog at December 31, 2023	<u><u>\$ 108,227,403</u></u>

## **HOFFMAN & HOFFMAN, INC. AND SUBSIDIARIES**

### **Notes to Consolidated Financial Statements**

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#### NOTE K - EMPLOYEE STOCK OWNERSHIP PLAN AND PROFIT SHARING

The Company established an employee stock ownership plan ("ESOP") and a related trust for the benefit of its employees. Effective February 19, 2020, the Company amended its Articles of Incorporation to execute a one hundred to one capital stock split, retroactively applied. As of December 31, 2023 and 2022, 556,000 shares of the Company's common stock are held by the employee stock ownership trust ("ESOT"), which was established to fund the ESOP. The trust agreement provides that the Company shall contribute an amount for each plan year as the Company's Board of Directors shall determine in cash or in shares of Company stock. The benefit with respect to each participant becomes partially vested based on the participant's years of service beginning with two years of service and becomes fully vested with six years of service or the occurrence of certain specified events.

In order to make a cash payout of a terminated participant's vested interest in the ESOP, the Company may purchase some or all of the shares allocated to the participant's account at their fair market value. On March 31, 2016, the plan purchased 201,200 shares of the Company's issued and outstanding stock for the fair market value amount of \$13,385,000 as approved by the Company's Board of Directors. On December 18, 2000 the plan purchased 94,507 shares of the Company's issued and outstanding stock for the fair market value amount of \$14,504,982 as approved by the Company's Board of Directors. These shares were purchased using the proceeds of a loan from the Company. The stock is held in a trust established under the plan. The ESOP will obtain the funds to repay the borrowings from the Company through contributions made by the Company to the trust. Unallocated shares serve as collateral for the borrowing. The trust will receive any dividends and distributions made with regards to the secured shares. Shares are released from collateral and are allocated to plan participants as payments of principal and interest are made. The number of shares released in any year is determined by the ESOP Loan and Pledge Agreement in accordance with plan provisions. At December 31, 2023 and 2022, there were 445,677 and 428,826 shares that have been allocated to employees, respectively. During 2023, the Company was not required to purchase any stock.

Company contribution expense is based on two valuations; the actual cash contributed and funded to the plan, which is formulated based on a discretionary percentage of eligible compensation and the appreciation of released shares from acquired value to current fair market value at time of release. Company contribution expense made directly to the ESOP was approximately \$9,843,000 and \$8,601,000 for the years ended December 31, 2023 and 2022, respectively. Company contribution expense recorded due to the fair market value appreciation of allocated shares released was approximately \$3,372,658 and \$2,156,168 for the years ended December 31, 2023 and 2022, respectively. At December 31, 2023 and 2022, unreleased shares totaled 110,323 and 127,174, respectively. The appraised fair value of these shares at December 31, 2023 and 2022 was approximately \$32,138,000 and \$27,866,000, respectively.

#### NOTE L - CONCENTRATIONS AND CREDIT RISKS

The Company maintains its cash in financial institutions insured by the Federal Deposit Insurance Corporation. Deposit accounts, at times, may exceed federally insured limits.

During the years ended December 31, 2023 and 2022, approximately 15% and 16% of purchases were made from one vendor, respectively.

**HOFFMAN & HOFFMAN, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

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NOTE M - RESTATEMENT

During the year ended December 31, 2023, the Company identified an error in how it had recorded and presented certain transactions related to transactions with the Company's ESOP. The error was caused by mispostings related to the ESOP transactions. The following restatements were made to the previously presented consolidated financial statements to correct the error:

	<u>As Previously Stated</u>	<u>As Restated</u>
Additional paid in capital, January 1, 2022	\$ 5,160,239	\$ 6,788,286
Retained earnings, January 1, 2022	\$ 72,459,933	\$ 70,831,886
ESOP shares released in 2022 to additional paid in capital	\$ 747,826	\$ 2,156,168
ESOP shares released in 2022 to unearned ESOP shares	\$ 3,076,721	\$ 1,408,343
Other income (expenses)	\$ (315,704)	\$ (55,668)
Net income	\$ 11,226,350	\$ 11,486,386

**HOFFMAN & HOFFMAN, INC. AND SUBSIDIARIES**  
**Consolidating Balance Sheet**  
**December 31, 2023**

	Hoffman & Hoffman, Inc.	Hoffman Parts & Warehouse Inc.	Hoffman Building Technologies, Inc.	Hoffman Mechanical Solutions, Inc.	Hoffman & Hoffman Ireland, Ltd.	Hoffman Hydraulics, LLC	Upper Asbury, LLC	Hoffman Custom Solutions, LLC.	SafTDek, LLC.	Eliminations	Total
<b>Assets</b>											
<b>Current Assets:</b>											
Cash and cash equivalents	\$ (4,204,860)	\$ (248,179)	\$ 626,858	\$ (617,969)	\$ 108,202	\$ (305,017)	\$ (14,269)	\$ (24,456)	\$ -	\$ 4,772,684	\$ 92,994
Contracts receivable, net	-	-	19,249,092	10,005,908	66,160	-	-	11,165	-	-	29,332,325
Trade accounts receivable	65,439,828	2,651,053	-	-	-	8,462,903	-	-	-	-	76,553,784
Intercompany receivables	219,827	6,343,105	344,311	104,751	-	38,589	-	12,168,412	-	(19,218,995)	-
Other receivables	3,906,062	-	9,105	(146,206)	-	32,864	-	20,878	-	(17,191)	3,805,512
Inventories	-	6,833,298	1,233,517	239,509	-	2,524,832	-	-	-	-	10,831,156
Work orders in process	-	-	614,044	4,791,615	-	436,137	-	-	-	-	5,841,796
Costs and estimated earnings in excess of billings on uncompleted contracts	-	-	6,197,799	574,710	-	-	-	113,114	-	-	6,885,623
Prepaid expenses and other current assets	1,244,310	-	462,203	261,647	1,491	111,073	-	5,345	-	-	2,086,069
	<u>66,605,167</u>	<u>15,579,277</u>	<u>28,736,929</u>	<u>15,213,965</u>	<u>175,853</u>	<u>11,301,381</u>	<u>(14,269)</u>	<u>12,294,458</u>	<u>-</u>	<u>(14,463,502)</u>	<u>135,429,259</u>
<b>Other Assets:</b>											
Line of credit due from affiliates	17,623,851	-	-	-	-	-	126,255	-	53,744	(17,803,850)	-
Notes receivable due from affiliates	5,187,559	-	-	-	-	-	-	-	-	(5,187,559)	-
Cash value of life insurance	-	-	-	-	-	-	-	-	-	-	-
Right of use asset	1,584,189	-	235,071	1,635,450	-	2,785,164	-	-	-	-	6,239,874
Investment in affiliates	20,732,330	-	-	-	-	-	-	-	-	(20,732,330)	-
H&H - UA Rec/Pay	-	-	-	-	-	-	-	-	-	-	-
Other investment	561,983	-	-	-	-	-	-	-	-	-	561,983
Intangibles, net	38,912	-	-	-	-	-	-	-	-	-	38,912
Goodwill, net	1,113,688	-	5,320,989	544,241	-	1,537,847	-	3,433,715	-	-	11,950,480
	<u>46,842,512</u>	<u>-</u>	<u>5,556,060</u>	<u>2,179,691</u>	<u>-</u>	<u>4,323,011</u>	<u>126,255</u>	<u>3,433,715</u>	<u>53,744</u>	<u>(43,723,739)</u>	<u>18,791,249</u>
<b>Equipment and Leasehold Improvements:</b>											
Building	-	-	-	-	-	-	18,310,221	-	-	-	18,310,221
Computers and software	1,097,638	-	170,412	183,215	-	22,804	-	-	-	-	1,474,069
Automobiles	632,424	122,454	6,398,027	9,763,541	-	309,064	-	-	-	(118,892)	17,106,618
Leasehold improvements	4,675,933	-	432,013	33,870	-	310,302	-	-	-	-	5,452,118
Warehouse office	342,790	9,972	-	322,934	-	212,099	493,608	-	-	-	1,381,403
Equipment	181,788	150,639	-	372,437	-	191,437	-	-	-	-	896,301
Construction in progress	180,228	-	-	-	-	457,169	-	-	-	-	637,397
	<u>7,110,801</u>	<u>283,065</u>	<u>7,000,452</u>	<u>10,675,997</u>	<u>-</u>	<u>1,502,875</u>	<u>18,803,829</u>	<u>-</u>	<u>-</u>	<u>(118,892)</u>	<u>45,258,127</u>
Less accumulated depreciation and amortization	6,020,556	37,846	4,392,346	5,034,512	-	291,986	936,838	-	-	(118,892)	16,595,192
	<u>1,090,245</u>	<u>245,219</u>	<u>2,608,106</u>	<u>5,641,485</u>	<u>-</u>	<u>1,210,889</u>	<u>17,866,991</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,662,935</u>
Total assets	<u>\$ 114,537,924</u>	<u>\$ 15,824,496</u>	<u>\$ 36,901,095</u>	<u>\$ 23,035,141</u>	<u>\$ 175,853</u>	<u>\$ 16,835,281</u>	<u>\$ 17,978,977</u>	<u>\$ 15,728,173</u>	<u>\$ 53,744</u>	<u>\$ (58,187,241)</u>	<u>\$ 182,883,443</u>

**HOFFMAN & HOFFMAN, INC. AND SUBSIDIARIES**  
**Consolidating Balance Sheet**  
**December 31, 2023**

	Hoffman & Hoffman, Inc.	Hoffman Parts & Warehouse Inc.	Hoffman Building Technologies, Inc.	Hoffman Mechanical Solutions, Inc.	Hoffman & Hoffman Ireland, Ltd.	Hoffman Hydronics, LLC	Upper Asbury, LLC	Hoffman Custom Solutions, LLC.	SafTDek, LLC.	Eliminations	Total
<b>Liabilities and Stockholders' Equity</b>											
Current Liabilities:											
Checks written in excess of bank balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,772,684	\$ 4,772,684
Accounts payable, trade	11,633,895	607,317	-	-	-	1,947,375	58,386	6,219	-	-	14,253,192
Contracts and other payables	-	-	2,893,244	1,406,647	-	-	-	-	-	-	4,299,891
Intercompany payables	18,640,107	1,792	26,141	209,550	137,958	42,627	65,089	2,190	97,351	(19,222,805)	-
Accrued expenses and other liabilities	22,753,464	35,373	5,050,949	4,366,941	(6,526)	3,403,252	(47,985)	868,339	757	122,224	36,546,788
Customer deposits	7,800	-	-	-	-	-	-	-	-	-	7,800
Billings in excess of costs and estimated earnings on uncompleted contracts	-	-	5,464,375	518,576	-	-	-	8,816,617	-	-	14,799,568
Current maturities on long term debt	-	-	-	-	-	-	800,000	-	-	-	800,000
Operating lease liability, less current portion	597,995	-	164,436	499,578	-	637,952	-	-	-	-	1,899,961
	<u>53,633,261</u>	<u>644,482</u>	<u>13,599,145</u>	<u>7,001,292</u>	<u>131,432</u>	<u>6,031,206</u>	<u>875,490</u>	<u>9,693,365</u>	<u>98,108</u>	<u>(14,327,897)</u>	<u>77,379,884</u>
Noncurrent Liabilities:											
Line of credit due to affiliates	179,999	1,812,169	7,508,583	4,248,828	-	1,887,620	-	2,166,651	-	(17,803,850)	-
Note payable due to affiliates	-	-	2,761,866	-	-	2,425,693	-	-	-	(5,187,559)	-
Long term debt	-	-	-	-	-	-	4,600,000	-	-	-	4,600,000
Operating lease liability, less current portion	1,007,959	-	74,163	1,153,427	-	2,289,512	-	-	-	-	4,525,061
Line of credit	226,418	-	-	-	-	-	-	-	-	-	226,418
	<u>1,414,376</u>	<u>1,812,169</u>	<u>10,344,612</u>	<u>5,402,255</u>	<u>-</u>	<u>6,602,825</u>	<u>4,600,000</u>	<u>2,166,651</u>	<u>-</u>	<u>(22,991,409)</u>	<u>9,351,479</u>
Stockholders' Equity (Deficit):											
Common stock	55,600	-	-	-	-	-	-	-	-	-	55,600
Capital contributions	-	-	(129,703)	960,523	-	2,823,849	13,377,660	4,625,000	-	(21,657,329)	-
Additional paid in capital	8,622,887	3,694,225	-	-	-	-	-	-	-	-	12,317,112
Unearned employee stock ownership plan shares	(14,434,895)	-	-	-	-	-	-	-	-	-	(14,434,895)
Noncontrolling interest in consolidated entities	-	-	-	-	-	-	-	-	-	782,221	782,221
Retained earnings (deficit)	65,246,695	9,673,620	13,087,041	9,671,071	44,421	1,377,401	(874,173)	(756,843)	(44,364)	7,173	97,432,042
	<u>59,490,287</u>	<u>13,367,845</u>	<u>12,957,338</u>	<u>10,631,594</u>	<u>44,421</u>	<u>4,201,250</u>	<u>12,503,487</u>	<u>3,868,157</u>	<u>(44,364)</u>	<u>(20,867,935)</u>	<u>96,152,080</u>
Total liabilities and stockholders' equity (deficit)	<u>\$ 114,537,924</u>	<u>\$ 15,824,496</u>	<u>\$ 36,901,095</u>	<u>\$ 23,035,141</u>	<u>\$ 175,853</u>	<u>\$ 16,835,281</u>	<u>\$ 17,978,977</u>	<u>\$ 15,728,173</u>	<u>\$ 53,744</u>	<u>\$ (58,187,241)</u>	<u>\$ 182,883,443</u>

**HOFFMAN & HOFFMAN, INC. AND SUBSIDIARIES**  
**Consolidating Statement of Income**  
**Year Ended December 31, 2023**

	Hoffman & Hoffman, Inc.	Hoffman Parts & Warehouse Inc.	Hoffman Building Technologies, Inc.	Hoffman Mechanical Solutions, Inc.	Hoffman & Hoffman Ireland, Ltd.	Hoffman Hydronics, LLC	Upper Asbury, LLC	Hoffman Custom Solutions, LLC.	SafTDek, LLC.	Eliminations	Total
Net sales	\$ 280,503,541	\$ 19,196,662	\$ -	\$ -	\$ -	\$ 48,464,324	\$ -	\$ -	\$ 26,988	\$ (2,457,545)	\$345,733,970
Contract revenue earned	-	-	73,436,640	63,945,529	327,636	-	-	13,962,407	-	(1,864,221)	149,807,991
	<u>280,503,541</u>	<u>19,196,662</u>	<u>73,436,640</u>	<u>63,945,529</u>	<u>327,636</u>	<u>48,464,324</u>	<u>-</u>	<u>13,962,407</u>	<u>26,988</u>	<u>(4,321,766)</u>	<u>495,541,961</u>
Cost of good sold	196,111,934	11,768,117	-	-	-	32,741,454	5,633	-	19,779	(2,457,545)	238,189,372
Cost of revenue earned	-	-	50,538,258	46,978,740	182,162	-	-	11,585,264	-	(1,864,221)	107,420,203
	<u>196,111,934</u>	<u>11,768,117</u>	<u>50,538,258</u>	<u>46,978,740</u>	<u>182,162</u>	<u>32,741,454</u>	<u>5,633</u>	<u>11,585,264</u>	<u>19,779</u>	<u>(4,321,766)</u>	<u>345,609,575</u>
Gross profit	84,391,607	7,428,545	22,898,382	16,966,789	145,474	15,722,870	(5,633)	2,377,143	7,209	-	149,932,386
Commission income	2,723,876	4,770	-	-	-	47,182	-	-	-	-	2,775,828
	<u>87,115,483</u>	<u>7,433,315</u>	<u>22,898,382</u>	<u>16,966,789</u>	<u>145,474</u>	<u>15,770,052</u>	<u>(5,633)</u>	<u>2,377,143</u>	<u>7,209</u>	<u>-</u>	<u>152,708,214</u>
Operating expenses:											
Selling	64,536,912	957,138	6,298,001	2,222,994	-	6,779,292	-	2,142,230	13,884	-	82,950,451
General and administrative	19,534,714	243,926	15,149,098	10,677,251	187,437	8,320,004	(240,030)	565,558	381	85,220	54,523,559
	<u>84,071,626</u>	<u>1,201,064</u>	<u>21,447,099</u>	<u>12,900,245</u>	<u>187,437</u>	<u>15,099,296</u>	<u>(240,030)</u>	<u>2,707,788</u>	<u>14,265</u>	<u>85,220</u>	<u>137,474,010</u>
Operating income (loss)	3,043,857	6,232,251	1,451,283	4,066,544	(41,963)	670,756	234,397	(330,645)	(7,056)	(85,220)	15,234,204
Other income (expense), net	1,211,645	(4,955)	(436,038)	(224,206)	(44,630)	(284,819)	(429,435)	(20,561)	314	-	(232,685)
Income (loss) before income taxes	4,255,502	6,227,296	1,015,245	3,842,338	(86,593)	385,937	(195,038)	(351,206)	(6,742)	(85,220)	15,001,519
Income taxes, net	34,854	-	19,931	-	-	-	-	-	-	-	54,785
Net income (loss) before noncontrolling interests	4,220,648	6,227,296	995,314	3,842,338	(86,593)	385,937	(195,038)	(351,206)	(6,742)	(85,220)	14,946,734
Net loss attributable to noncontrolling interests	-	-	-	-	-	-	-	-	-	(70,241)	(70,241)
Net income (loss) attributable to controlling interests	<u>\$ 4,220,648</u>	<u>6,227,296</u>	<u>\$ 995,314</u>	<u>\$ 3,842,338</u>	<u>\$ (86,593)</u>	<u>\$ 385,937</u>	<u>\$ (195,038)</u>	<u>\$ (351,206)</u>	<u>\$ (6,742)</u>	<u>\$ (14,979)</u>	<u>15,016,975</u>