

ALUMIL FABRICATION INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2018

ALUMIL FABRICATION INC.

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INDEPENDENT AUDITORS' REPORT

To The Stockholders
Alumil Fabrication Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Alumil Fabrication Inc., which comprise the balance sheet at December 31, 2018, and the related statements of operations and accumulated deficit, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alumil Fabrication Inc. at December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company incurred a substantial loss from operations and had negative cash flows from operating activities for the year ended December 31, 2018. The Company's operating plan indicates that it will continue to generate negative cash flows from operating activities and continue to look to its affiliated company, Alumil S.A. for further cash infusions. These liquidity risks raise substantial doubt about the Company's ability to meet its obligations as they become due within one year after the date of this report and continue as a going concern. Management's plans in regards to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Our opinion is not modified with respect to this matter.

Grassi & Co, CPAs, P.C.

GRASSI & CO., CPAs, P.C.

Park Ridge, New Jersey
April 30, 2019

ALUMIL FABRICATION INC.
BALANCE SHEET
DECEMBER 31, 2018

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$	87,893
Contract and account receivables, net		2,528,910
Costs and estimated earnings in excess of billings on uncompleted contracts		<u>196,938</u>

Total Current Assets 2,813,741

PROPERTY AND EQUIPMENT, NET 44,416

Total Assets \$ 2,858,157

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

ALUMIL FABRICATION INC.
BALANCE SHEET
DECEMBER 31, 2018

LIABILITIES AND STOCKHOLDERS' DEFICIT

CURRENT LIABILITIES:

Line of credit	\$ 97,062
Accounts payable and accrued expenses	2,776,318
Accounts payable - parent company	1,876,849
Billings in excess of costs and estimated earnings on uncompleted contracts	768,752
Accrued loss on uncompleted contracts	148,112
Loan payable - affiliate	<u>860,707</u>
 Total Current Liabilities	 <u>6,527,800</u>

COMMITMENTS AND CONTINGENCIES

STOCKHOLDERS' DEFICIT:

Common stock, no par value, 5,722 shares authorized, issued and outstanding	700,000
Additional paid-in-capital	5,243,470
Accumulated deficit	<u>(9,613,113)</u>
 Total Stockholders' Deficit	 <u>(3,669,643)</u>
 Total Liabilities and Stockholders' Deficit	 <u>\$ 2,858,157</u>

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

ALUMIL FABRICATION INC.
STATEMENT OF OPERATIONS AND ACCUMULATED DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 2018

CONTRACT REVENUES	\$ 10,826,215
CONTRACT COSTS	<u>15,899,166</u>
GROSS LOSS	(5,072,951)
GENERAL AND ADMINISTRATIVE EXPENSES	<u>1,539,977</u>
LOSS FROM OPERATIONS	<u>(6,612,928)</u>
OTHER INCOME (EXPENSE):	
Other income	78,321
Gain on foreign exchange	78,370
Interest expense	<u>(65,313)</u>
Total Other Income	<u>91,378</u>
LOSS BEFORE PROVISION FOR INCOME TAXES	(6,521,550)
PROVISION FOR INCOME TAXES	<u>3,299</u>
LOSS FROM CONTINUING OPERATIONS	(6,524,849)
DISCONTINUED OPERATIONS (NOTE 11):	
Loss from operations on disposal of business unit	<u>(509,874)</u>
NET LOSS	(7,034,723)
ACCUMULATED DEFICIT, BEGINNING OF YEAR	<u>(2,578,390)</u>
ACCUMULATED DEFICIT, END OF YEAR	<u><u>\$ (9,613,113)</u></u>

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

ALUMIL FABRICATION INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:

Net loss	<u>\$ (7,034,723)</u>
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Adjustments to reconcile net loss to net cash used in operating activities:

Depreciation	122,805
Bad debt expense	335,362
Accrued loss on uncompleted contracts	148,112

Changes in Operating Assets and Liabilities:

Contract receivables	1,908,320
Costs and estimated earnings in excess of billings on uncompleted contracts	3,385,626
Inventory	41,290
Prepaid expenses and other current assets	33,052
Accounts payable and accrued expenses	(350,494)
Accounts payable - parent company	1,876,849
Billings in excess of costs and estimated earnings on uncompleted contracts	(865,402)
Loan payable - affiliate	<u>10,707</u>

Total Adjustments	<u>6,646,227</u>
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NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (388,496)</u>
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The accompanying notes are an integral part of these financial statements.

ALUMIL FABRICATION INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (388,496)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Security deposit	57,342
Proceeds from sale of property and equipment	<u>264,657</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>321,999</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Payments on line of credit	<u>(2,938)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(2,938)</u>
GAIN ON FOREIGN EXCHANGE	<u>78,370</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,935
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>78,958</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 87,893</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:	
Cash paid during the year for:	
Interest	<u>\$ 65,313</u>
Taxes	<u>\$ 3,299</u>

SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:

The Parent Company restructured current liabilities in the amount of \$5,243,470 to Stockholders' equity as additional paid-in capital during 2018.

As part of the closing of the Newburgh, New York facility, the Company sold assets for \$644,657, of which \$380,000 was included in accounts receivable as of December 31, 2018.

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

ALUMIL FABRICATION INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 1 - Nature of Operations

Business Activity

Alumil Fabrication Inc. (the "Company") was formed as a "C" Corporation under the laws of the State of New York in 2013. The Company serves as a manufacturing contractor of aluminum window and door systems in the construction of multi-family residential and commercial properties. Effective for 2019, the Company will no longer manufacture aluminum windows and door systems as it is changing its business model to be a distribution / wholesaler of its parent company's, Alumil S.A., pre-fabricated aluminum windows and door systems. The Company keeps its office in the New York metropolitan area, and currently conducts its business in the New York metropolitan area and North America, including other major U.S. cities and Canada. Work is performed primarily under fixed-price and unit price contracts. The length of the Company's contracts varies, but typically is less than two years.

Going Concern, Liquidity, and Management's Plan

The Company continues to incur substantial losses from operations, had negative cash flows from operating activities and negative working capital for the year ended December 31, 2018. These liquidity risks continue to raise substantial doubt about whether the Company will meet its obligations as they become due within one year after the date of the report.

The accompanying financial statements are prepared on a going concern basis and do not include any adjustments that might result from uncertainty about the Company's ability to continue as a going concern. The Company is working to improve its operating performance and its cash, liquidity and financial position. This includes continued growth of additional North American contract work with the continued cash flow support from the parent company, Alumil S.A. Further, the Company has closed its manufacturing facility and will now become a distribution wholesaler of aluminum windows and doors manufactured outside of the United States by its parent company and its affiliates. The Company believes this will control its costs and better enable it to attain profitability.

However, there can be no assurance that management's plan to improve the Company's operating performance and financial position will be successful or that the Company will be able to obtain additional financing on commercially reasonable terms or at all. As a result, the Company's liquidity and ability to timely pay its obligations when due could be adversely affected. Furthermore, the Company's creditors may resist renegotiation or lengthening of payment and other terms, or could seek shorter payment terms, through legal action or otherwise. If the Company is not able to timely, successfully or efficiently implement the strategies that it is pursuing to improve its operating performance and financial position, obtain alternative sources of capital or otherwise meet its liquidity needs, the Company may need to voluntarily seek protection under Chapter 11 of the U.S. Bankruptcy Code.

ALUMIL FABRICATION INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 1 - Nature of Operations (cont'd.)

Going Concern, Liquidity, and Management's Plan (cont'd.)

In August 2014, the Financial Accounting Standards Board ("FASB") issued disclosure guidance that requires management to evaluate, at each annual and interim reporting period, whether substantial doubt exists about an entity's ability to continue as a going concern and, if applicable, to provide related disclosures. As outlined by that guidance, substantial doubt about an entity's ability to continue as a going concern exists when relevant conditions and events, considered in the aggregate, indicate that it is probable that an entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued (or are available to be issued).

Note 2 - Summary of Significant Accounting Policies

Revenue and Cost Recognition

Revenues from fixed-price, long-term construction contracts are recognized under the percentage of completion method. Under this method, progress towards completion is recognized according to the percentage of incurred costs to estimated total costs. This method is used because management considers the "cost to cost" method the most appropriate in the circumstances.

Contract costs include all direct material and labor costs and all other direct and indirect costs related to contract performance. General and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. 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. Because of the inherent uncertainty in estimating the cost to complete on contracts in process, it is at least reasonably possible that the estimates used will change in the near term. Profit incentives are included in revenue when their realization is reasonable assured. 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 Asset, "Costs and estimated earnings in excess of billings on uncompleted contracts," represents revenues recognized in excess of amounts billed. The Liability, "Billings in excess of costs and estimated earnings on uncompleted contracts," represents billings in excess of revenues recognized.

In accordance with normal construction industry practice, the Company includes in current assets and current liabilities, retainage amounts, receivables and payables under construction contracts, which may extend beyond one year.

ALUMIL FABRICATION INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Contract Receivables

The Company carries its contract receivables at cost. The Company estimates that an allowance for doubtful accounts is not needed based upon a review of outstanding receivables and historical collection information by customer. Normally, contract receivables are due within 30 days after the date of the requisition. Contract retentions are generally due within 30 days after completion of the project and acceptance by the owner. Where the contract provides for guarantee retainage provisions, such retainage is generally due within one year of completion and acceptance of the project. Receivables more than 90 days old are considered past due. Contract receivables are written off when they are determined to be uncollectible. The Company does not accrue interest on past due receivables.

Property and Equipment

Property and equipment is stated at cost. Depreciation is provided over the estimated useful lives of the assets, using both straight-line and accelerated methods, ranging from 5 to 39 years.

Maintenance and repairs are charged to expense as incurred; major renewals or improvements are capitalized. On sale or retirement of property and equipment, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in the results of current operations.

Impairment of Long-Lived Assets

Long-lived assets to be held and used are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When required, impairment losses are recognized based on the excess of the asset's carrying amount over the fair value of the asset. For the year ended December 31, 2018, there were no indications of impairment.

Income Taxes

Accounting for uncertainties in income taxes recognized in a company's financial statements is based on the company's assessment of probable income tax related exposures and the anticipated settlement of those exposures resulting in actual liabilities. As of December 31, 2018, the Company does not believe it has any uncertain tax positions that would qualify for either recognition or disclosure in the financial statements.

The income tax returns for the years 2015 through 2017 are subject to examination by the federal, state and local income tax authorities.

Cash and Cash Equivalents

The Company considers all short-term highly liquid investments with original maturities of three months or less to be cash equivalents.

ALUMIL FABRICATION INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Use of Estimates

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

Advertising Expenses

Advertising is expensed as incurred. For the year ended December 31, 2018, advertising expense was \$2,956.

Foreign Currency Transactions

The Company has foreign currency exposure arising from purchases of its materials, used in manufacturing its windows and doors, as they primarily purchase materials from their foreign corporate shareholder, a producer of materials and components used in the production of windows and doors.

The Company's business operations are exposed to foreign currency exchange rates and commodity prices with its affiliate. Changes in these rates and prices may have an impact in future cash flows and earnings. The Company manages these risks through normal operating and financing activities with its affiliate.

Foreign currency gains and losses arising from the translation of payables with the Company's international affiliate are recorded as a component of other income or expense, net, unless the payable is considered long-term in nature, in which case the foreign currency gains and losses are recorded as a component of comprehensive income or loss. Net realized foreign exchange transaction gains included in other income and expense are \$78,370 for the year ended December 31, 2018.

New Accounting Pronouncements

ASU No. 2016-02

In February 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842)*. This ASU is the result of a joint project of the FASB and the International Accounting Standards Board ("IASB") to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements for U.S. GAAP and International Financial Reporting Standards ("IFRS"). The guidance in this ASU affects any entity that enters into a lease (as that term is defined in this ASU), with some specified scope exemptions. The guidance in this ASU will supersede FASB ASC Topic 840, *Leases*.

ALUMIL FABRICATION INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 2 - Summary of Significant Accounting Policies (cont'd.)

New Accounting Pronouncements (cont'd.)

ASU No. 2016-02 (cont'd.)

The ASU provides that lessees should recognize lease assets and lease liabilities on the balance sheet for leases previously classified as operating leases that exceed 12 months, including leases existing prior to the effective date of this ASU. It also calls for enhanced leasing arrangement disclosures.

For nonpublic entities, the amendments of ASU No. 2016-02 are effective for annual reporting periods beginning after December 15, 2019, and interim periods within annual periods beginning after December 15, 2020. Early application is permitted for all entities.

ASU No. 2014-09

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU is the result of a joint project of the FASB and the IASB to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP and for IFRS. The guidance in this ASU affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards.

The ASU provides that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should apply the following five-step process to recognize revenue:

- Step 1: Identify the contract with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

For nonpublic entities, the amendments of ASU No. 2014-09 are effective for annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early application is permitted under certain circumstances.

The Company has not yet determined if these ASUs will have a material effect on its financial statements.

ALUMIL FABRICATION INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 3 - Contract and Account Receivables

Contract receivables, net are summarized as follows:

BILLED:	
Completed contracts	\$ 843,338
Contracts in process	1,038,302
Retainage	602,632
Accounts receivable - sale of equipment	380,000
	2,864,272
Less: Allowance for doubtful accounts	335,362
	\$ 2,528,910

Note 4 - Costs and Estimated Earnings on Uncompleted Contracts

Costs and estimated earnings consisted of the following:

Contract costs incurred	\$ 5,477,174
Estimated earnings	44,293
	5,521,467
Less: Billings to date	6,093,281
	\$ (571,814)

Included in accompanying balance sheet under the following captions:

Costs and estimated earnings in excess of billings on uncompleted contracts	\$ 196,938
Billings in excess of costs and estimated earnings on uncompleted contracts	(768,752)
	\$ (571,814)

ALUMIL FABRICATION INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 5 - Property and Equipment

Property and equipment, net is summarized as follows:

Furniture	\$ 21,840
Computer equipment	51,072
	<hr/> 72,912
Less: Accumulated depreciation	28,496
	<hr/> <hr/> \$ 44,416

Note 11 discloses the closing of the manufacturing facility in Newburgh, New York, along with the disposal of machinery and office equipment.

Depreciation expense related to property and equipment for the year ended December 31, 2018 was \$122,805.

Note 6 - Line of Credit

The Company has a \$100,000 line of credit with Key Bank. The line is secured by all of the assets of the Company. The interest rate is 6.25%, and the line is due on demand. The amount outstanding as of December 31, 2018 was \$97,062.

Note 7 - Related Party Transactions

Loan Payable - Affiliate

The Company has a current loan payable to one of its foreign shareholders in the amount of \$860,707, including accrued interest of \$10,707. The loan is unsecured, bears interest at .75% per annum and is due on December 31, 2018. The Company can repay the loan at any time prior to its due date by giving ten days' advance written notice. Interest expense for the year ended December 31, 2018 amounted to \$10,707. The loan is currently in negotiation.

Accounts Payable - Parent Company

The Company purchased materials, consisting of parts and components used in the production of windows and doors from its parent company, totaling approximately \$2,745,000 for the year ended December 31, 2018. The Company has accounts payable of \$1,876,849 due to the parent company as of December 31, 2018.

Parent Company - Additional Paid-in Capital

In September 2018, the Company entered into an agreement with its parent company to restructure current liabilities in the amount of \$5,243,470 to stockholders' equity as additional paid-in capital.

ALUMIL FABRICATION INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 8 - Provision for Income Taxes

The provision for income taxes is summarized as follows:

Current:

State and local	\$ <u>3,299</u>
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The Company files its tax returns using the percentage of completion method. During the year ended December 31, 2017, the Company incurred a net operating loss of approximately \$2,800,000 and during the year ended December 31, 2018, an additional net operating loss of approximately \$7,123,000 was incurred. A deferred tax asset was not recorded since the Company did not have evidence to support the assertion that it is more likely than not that the Company will have sufficient taxable income to take advantage of the future deductions.

The Company files income tax returns in the U.S. federal and State of New York and New York City jurisdictions. The tax years of 2015 to 2017 are subject to examination by the taxing authorities.

On December 22, 2017, the Tax Cuts and Jobs Act ("TCJA") was signed into law. This legislation significantly changed U.S. tax law by, among other things, lowering the U.S. federal corporate income tax rate from a maximum of 35% to a flat 21% rate effective January 1, 2018. The Company remeasured domestic deferred tax assets and liabilities as of December 31, 2017 based upon the expected future applicable tax rate; however, it did not recognize any income tax expense in its 2017 statement of operations as a result of the remeasurement as the valuation allowance already reduces the net deferred tax asset to zero.

The Company is analyzing certain aspects of the TCJA and refining its calculations of cumulative timing differences, which potentially could give rise to deferred tax amounts. The Company's calculations also could be impacted by the issuance of future guidance clarifying certain aspects of the TCJA and by state legislative decisions regarding conformity to federal law. U.S. GAAP requires that the effects of tax rate changes be recorded as a component of tax expense from continuing operations in the year of enactment.

Note 9 - Retirement Plans

The Company participates in a 401(k) defined contribution plan and profit sharing plan of an affiliate, Alumil N.A., for all employees meeting certain eligibility requirements and not covered by a collective bargaining agreement. Employees may contribute a percentage of their compensation up to annual statutory limits. The plan provides for discretionary matching contributions by the Company up to 100% of the first 3% of employee contributions. For the year ended December 31, 2018, the Company made contributions of \$28,726.

ALUMIL FABRICATION INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 10 - Commitments and Contingencies

Operating Leases

The Company previously leased office, warehouse and manufacturing space in Newburgh, New York. The lease is a sublease agreement with the landlord and sub-landlord for a term of sixty-nine (69) months commencing May 2016 and ending February 2022, with monthly rent at \$29,792. In June 2018, the Company notified the landlord of its intention to vacate the facility and began negotiation to reach a settlement with the landlord on the remaining term of the lease. See Note 11 for the closing of the manufacturing facility. The Company also rents additional office space on a month-to-month basis at approximately \$3,800 per month. The Company also leases warehouse equipment on a month-to-month basis at approximately \$2,474 per month. Rent expense related to the leases for the year ended December 31, 2018 was \$324,944, of which \$269,495 is included in other direct costs in contract costs and \$55,449 is included in general and administrative expenses.

At December 31, 2018, the future minimum lease payments under the terms of the remaining lease agreements are as follows:

Years Ending December 31:

2019	\$ 1,752
2020	1,752
2021	1,752
2022	<u>1,314</u>
	<u>\$ 6,570</u>

Surety

The Company is contingently liable to a surety under a general indemnity agreement, whereby the Company agrees to indemnify the surety for any payments made on contracts. Management believes that all contingent liabilities will be satisfied by their performance on the specific bonded contracts involved.

Litigation

The Company is involved in various legal proceedings and litigation arising in the ordinary course of business. In the opinion of management and legal counsel, the outcome of such proceedings and litigation will not have a material adverse effect on the Company's financial statements.

Note 11 - Discontinued Operations

In June 2018, as part of the Company's overall restructuring plan for 2018 and future years, the Company terminated its aluminum window and door system manufacturing operation in Newburgh, New York and implemented the closure and negotiation of the remaining terms of the operating lease of the facility.

ALUMIL FABRICATION INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 11 - Discontinued Operations (cont'd.)

The Company, as part of the closure, incurred labor, clean up, and disposal costs associated with the return of the facility to its original state as given to the Company at lease inception in June 2016. Further, the Company incurred and has accrued additional facility lease expenses through April 2019, at which time the Company understands the facility has been leased to a new tenant with the landlord. It is anticipated the Company will have no further rental lease expense past April 2019.

The costs associated with the disposal of the business unit are as follows:

Labor, clean up, and unit disposal costs	\$ 233,857
Loss on sale of machinery and equipment, including write-offs, net of \$644,657 in sales proceeds	9,642
Rent in facility for seven months, accrued through April 2019, including write-off of security deposit previously held on the facility of \$58,375	<u>266,375</u>
	<u>\$ 509,874</u>

Note 12 - Risk of Loss

The Company maintains cash and cash equivalent balances at a financial institution which balances are insured by the Federal Deposit Insurance Corporation ("FDIC") for up to \$250,000. From time to time, the Company's balances may exceed this limit.

Note 13 - Major Customers

The Company performs work on contracts issued by various state and local government agencies and authorities, contractors and subcontractors. Revenue derived from any one of these contracts may, at times, be material to the Company's annual revenue.

For the year ended and as of December 31, 2018, one customer represented approximately 43% of the Company's revenue and approximately 45% of the Company's accounts receivable, respectively.

Note 14 - Concentration of Credit Risk

Financial instruments that potentially subject the Company to credit risk consist principally of trade accounts receivable. The Company operates principally in the construction industry and grants credit terms in the normal course of business to its customers which are located primarily in the New York metropolitan area. As part of its ongoing control procedures, the Company monitors the creditworthiness of its customers. The Company does not generally require collateral or other security to support credit sales.

ALUMIL FABRICATION INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 15 - Backlog

The following schedule shows a reconciliation of the backlog representing the amount of revenue the Company expects to realize from work to be performed on uncompleted contracts in process at December 31, 2018 and from contractual agreements on which work has not yet begun.

Balance, January 1, 2018	\$ 12,470,145
Contract adjustments	(518,367)
Contract revenues for new contracts for the year ended December 31, 2018	<u>2,860,975</u>
	14,812,753
Less: Contract revenues	<u>10,826,215</u>
Balance, December 31, 2018	<u>\$ 3,986,538</u>

In addition, subsequent to December 31, 2018, the Company entered into additional contracts with revenues in excess of approximately \$4,016,000.

Note 16 - Subsequent Events

The Company has evaluated all events or transactions that occurred after December 31, 2018 through April 30, 2019, which is the date that these financial statements were available to be issued. During this period, there were no material subsequent events requiring disclosure.

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To The Stockholders
Alumil Fabrication Inc.

We have audited the financial statements of Alumil Fabrication Inc. at December 31, 2018 and for the year then ended, and our report thereon dated April 30, 2019, which expressed an unmodified opinion on those financial statements, appears on pages one and two. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included in the schedule of earnings from contracts, schedule of contracts completed, schedule of contracts in process, schedule of contract costs, and the schedule of general and administrative expenses, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with 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 financial statements as a whole

Grassi & Co., CPAs, P.C.

GRASSI & CO., CPAs, P.C.

Park Ridge, New Jersey
April 30, 2019

ALUMIL FABRICATION INC.
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF EARNINGS FROM CONTRACTS
 FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Contract Revenues</u>	<u>Contract Costs</u>	<u>Gross Loss</u>
CONTRACTS COMPLETED DURING THE YEAR	\$ 5,977,131	\$ 10,934,918	\$ (4,957,787)
CONTRACTS IN PROCESS	<u>4,849,084</u>	<u>4,964,248</u>	<u>(115,164)</u>
	<u>\$ 10,826,215</u>	<u>\$ 15,899,166</u>	<u>\$ (5,072,951)</u>

See independent auditors' report on supplementary information.

ALUMIL FABRICATION INC.
SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRACTS COMPLETED
DURING THE YEAR ENDED DECEMBER 31, 2018

	Contract Totals			Prior to January 1, 2018			During the Year Ended December 31, 2018		
	Contract Revenues	Contract Costs	Gross Profit (Loss)	Contract Revenues	Contract Costs	Gross Profit	Contract Revenues	Contract Costs	Gross Profit (Loss)
NEXT CENTURY PLAZA	\$ 2,908,060	\$ 2,838,317	\$ 69,743	\$ 1,653,862	\$ 1,053,656	\$ 600,206	\$ 1,254,198	\$ 1,784,661	\$ (530,463)
CHELSEA CONDO	1,090,487	1,087,897	2,590	1,110,873	1,011,927	98,946	(20,386)	75,970	(96,356)
50 CLINTON STREET	75,035	32,064	42,971	64,948	32,064	32,884	10,087	0	10,087
PROJECT BUILDERS - 36-27 31ST STREET	326,224	310,016	16,208	404,435	310,016	94,419	(78,211)	0	(78,211)
STAR TOWER	6,673,269	6,357,935	315,334	6,749,567	5,809,688	939,879	(76,298)	548,247	(624,545)
VERNON	6,147,701	5,465,606	682,095	6,008,021	4,913,122	1,094,899	139,680	552,484	(412,804)
515 WEST 36TH STREET	14,000,000	15,584,197	(1,584,197)	9,371,579	7,945,352	1,426,227	4,628,421	7,638,845	(3,010,424)
PROJECT BUILDERS - 38-11 31ST STREET	101,854	33,743	68,111	5,755	4,196	1,559	96,099	29,547	66,552
MISCELLANEOUS	23,541	305,164	(281,623)	0	0	0	23,541	305,164	(281,623)
	<u>\$ 31,346,171</u>	<u>\$ 32,014,939</u>	<u>\$ (668,768)</u>	<u>\$ 25,369,040</u>	<u>\$ 21,080,021</u>	<u>\$ 4,289,019</u>	<u>\$ 5,977,131</u>	<u>\$ 10,934,918</u>	<u>\$ (4,957,787)</u>

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ALUMIL FABRICATION INC.
SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRACTS IN PROCESS
AT DECEMBER 31, 2018

	Total Contract		From Inception to December 31, 2018				At December 31, 2018			For the Year Ended December 31, 2018		Management Estimates			
	Contract Price	Estimated Gross Profit (Loss)	Contract Revenues	Cost Incurred to Date	Gross Profit (Loss)	Percent Complete	Contract Billings to Date	Costs and Estimated Earnings in Excess of Billings	Billings in Excess of Costs and Estimated Earnings	Contract Revenues	Contract Costs	Gross Profit (Loss)	Work Load Remaining	Cost to Complete	Future Gross Profit
VANCOUVER HOUSE - BEACH & HOWE	\$ 1,605,677	\$ 588,635	\$ 1,597,357	\$ 1,011,772	\$ 585,585	99.48%	\$ 1,605,677	\$ 0	\$ 8,320	\$ 1,075,249	\$ 621,610	\$ 453,639	\$ 8,320	\$ 5,270	\$ 3,050
1700 PENDRELL HOLDINGS	2,694,304	(705,214)	2,129,694	2,834,908	(705,214)	79.04%	1,981,999	147,695	0	2,087,341	2,797,012	(709,671)	564,610	564,610	0
601 WASHINGTON STREET	2,347,049	108,863	1,123,550	1,071,436	52,114	47.87%	1,074,307	49,243	0	1,015,628	986,568	29,060	1,223,499	1,166,750	56,749
80 ADAMS	2,860,975	476,818	670,866	559,058	111,808	23.45%	1,431,298	0	760,432	670,866	559,058	111,808	2,190,109	1,825,099	365,010
	<u>\$ 9,508,005</u>	<u>\$ 469,102</u>	<u>\$ 5,521,467</u>	<u>\$ 5,477,174</u>	<u>\$ 44,293</u>		<u>\$ 6,093,281</u>	<u>\$ 196,938</u>	<u>\$ 768,752</u>	<u>\$ 4,849,084</u>	<u>\$ 4,964,248</u>	<u>\$ (115,164)</u>	<u>\$ 3,986,538</u>	<u>\$ 3,561,729</u>	<u>\$ 424,809</u>

See independent auditors' report on supplementary information.

ALUMIL FABRICATION INC.
SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRACT COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018

DIRECT LABOR	\$ 2,440,872
PROJECT MANAGEMENT	1,171,549
SUBCONTRACTORS	3,590,362
MATERIALS AND SUPPLIES	7,175,259
OTHER DIRECT COSTS	540,150
DEPRECIATION	107,614
PAYROLL TAXES AND FRINGE BENEFITS	455,753
ACCRUED LOSS ON UNCOMPLETED CONTRACTS	148,112
RENT	269,495
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	\$ 15,899,166
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ALUMIL FABRICATION INC.
SUPPLEMENTARY INFORMATION
SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

OFFICE SALARIES	\$ 292,225
BAD DEBT EXPENSE	335,362
TRAVEL AND ENTERTAINMENT	90,405
INSURANCE	180,363
CONSULTING	2,503
REPAIRS AND MAINTENANCE	49,817
DEPRECIATION	15,191
PROFESSIONAL FEES	218,195
AUTO AND TRUCK	87,645
RENT	55,449
OFFICE EXPENSE	70,201
COMPUTER EXPENSE	48,294
ADVERTISING	2,956
TELEPHONE	20,812
PENSION EXPENSE	28,726
UTILITIES	35,454
DUES AND SUBSCRIPTIONS	6,379
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	\$ 1,539,977
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