

ALUMIL FABRICATION INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2019

ALUMIL FABRICATION INC.

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To The Stockholders
Alumil Fabrication Inc.

Management is responsible for the accompanying financial statements of Alumil Fabrication Inc. (a corporation), which comprise the balance sheet as of December 31, 2019, 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 in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Supplementary Information

The accompanying supplementary information contained on pages 20 through 22 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management. The supplementary information was subject to our compilation engagement. We have not audited or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

Emphasis of Matters

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has suffered recurring losses from operations, has a net capital deficiency, and has stated that substantial doubt exists about its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding 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.

As discussed in Note 2 to the financial statements, Alumil Fabrication, Inc. changed its accounting policy related to its revenue recognition from contracts with customers, whereby it is using the five-step model to 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 and services. The policy was adopted retrospectively effective January 1, 2019. There was no cumulative effect adjustment to accumulated deficit as of January 1, 2019 for contracts that were in process at that point in time.

As discussed in Note 13, as a result of the spread of the coronavirus ("COVID-19"), economic uncertainties have arisen which are likely to negatively impact the Company's operating results. Other financial impact could occur, although such potential impact is unknown at this time.

Grassi & Co., CPAs, P.C.

GRASSI & CO., CPAs, P.C.

Park Ridge, New Jersey
March 26, 2020

ALUMIL FABRICATION INC.
BALANCE SHEET
DECEMBER 31, 2019

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 38,852
Contract and accounts receivables, net	<u>1,376,918</u>

Total Current Assets	<u>1,415,770</u>
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PROPERTY AND EQUIPMENT, NET	<u>30,943</u>
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OTHER ASSETS:

Security deposits	<u>475</u>
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Total Assets	<u><u>\$ 1,447,188</u></u>
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See independent accountants' compilation report and notes to financial statements.

ALUMIL FABRICATION INC.
BALANCE SHEET
DECEMBER 31, 2019

LIABILITIES AND STOCKHOLDERS' DEFICIT

CURRENT LIABILITIES:

Accounts payable and accrued expenses	\$ 2,429,603
Accounts payable - parent company	4,025,403
Loan payable - affiliate	<u>867,082</u>

Total Current Liabilities 7,322,088

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>(11,818,370)</u>

Total Stockholders' Deficit (5,874,900)

Total Liabilities and Stockholders' Deficit \$ 1,447,188

See independent accountants' compilation report and notes to financial statements.

ALUMIL FABRICATION INC.
STATEMENT OF OPERATIONS AND ACCUMULATED DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 2019

CONTRACT REVENUES	\$ 4,055,963
CONTRACT COSTS	<u>5,789,008</u>
GROSS LOSS	(1,733,045)
GENERAL AND ADMINISTRATIVE EXPENSES	<u>679,241</u>
LOSS FROM OPERATIONS	<u>(2,412,286)</u>
OTHER INCOME (EXPENSE):	
Interest income	6
Equipment sales	143,526
Other income	67,918
Gain on foreign transactions	15,794
Interest expense	<u>(13,154)</u>
Total Other Income	<u>214,090</u>
LOSS BEFORE PROVISION FOR INCOME TAXES	(2,198,196)
PROVISION FOR INCOME TAXES	<u>7,000</u>
LOSS FROM CONTINUING OPERATIONS	(2,205,196)
DISCONTINUED OPERATIONS (NOTE 11):	
Loss from operations on disposal of business unit	<u>(61)</u>
NET LOSS	(2,205,257)
ACCUMULATED DEFICIT, BEGINNING OF YEAR	<u>(9,613,113)</u>
ACCUMULATED DEFICIT, END OF YEAR	<u><u>\$ (11,818,370)</u></u>

See independent accountants' compilation report and notes to financial statements.

ALUMIL FABRICATION INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:

Net loss \$ (2,205,257)

Adjustments to reconcile net loss to net cash used in operating activities:

Depreciation 13,473
Bad debt recovery (69,476)
Accrued loss on uncompleted contracts (148,112)

Changes in Operating Assets and Liabilities:

Contract and accounts receivables 1,221,468
Contract assets 196,938
Accounts payable and accrued expenses (362,509)
Accounts payable - parent company 2,148,554
Contract liabilities (768,752)
Loan payable - affiliate 6,375

Total Adjustments 2,237,959

NET CASH PROVIDED BY OPERATING ACTIVITIES \$ 32,702

See independent accountants' compilation report and notes to financial statements.

ALUMIL FABRICATION INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 32,702</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Security deposit	<u>(475)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(475)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Repayment of line of credit	<u>(97,062)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(97,062)</u>
GAIN ON FOREIGN EXCHANGE	<u>15,794</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(49,041)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>87,893</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 38,852</u></u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:	
Cash paid during the year for:	
Interest	<u>\$ 6,779</u>
Taxes	<u><u>\$ 7,000</u></u>

See independent accountants' compilation report and notes to financial statements.

ALUMIL FABRICATION INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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. Through December 31, 2019, the Company served as a manufacturing contractor of aluminum window and door systems in the construction of multi-family residential and commercial properties. 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 was performed primarily under fixed-price and unit-price contracts. The length of the Company's contracts varied but typically was less than two years. Beginning in 2020, the Company will no longer manufacture aluminum windows and door systems as it is changing its business model to be a representative office acting as an agent for the sales of windows and door units on behalf of its parent company, Alumil S.A., mainly in North America.

Going Concern, Liquidity, and Management's Plan

The Company continues to incur substantial losses from operations and had negative working capital for the year ended December 31, 2019 and years prior. In addition, the Company had minimal cash flow from operations in 2019 and negative cash flow from operations in years prior. 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 construction 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, 2019

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 Recognition

As of January 1, 2019, the Company adopted the new accounting standard, FASB Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers* ("ASC 606"). The guidance 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.

ASC 606 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: (1) Identify the contract with a customer; (2) Identify the performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to the performance obligations in the contract; and (5) Recognize revenue when (or as) the entity satisfies a performance obligation.

In accordance with ASC 606, the modified retrospective method was applied to those contracts which were not completed as of January 1, 2019. Under the modified retrospective method, the cumulative effect of applying the standard is recognized at the date of initial application. Results for reporting periods beginning after January 1, 2019 are presented under ASC 606.

In implementing ASC 606, the Company was required to recalculate the revenue earned on any contract in process at the implementation date and to restate the revenue and cost of services as if ASC 606 had been followed from the inception of the contract. In recalculating costs and revenue under ASC 606 guidelines, no material difference was identified in the account balances. Since a material difference was not found, no retrospective analysis of account balance changes was required.

ALUMIL FABRICATION INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 2 - Summary of Significant Accounting Policies

Revenue Recognition (cont'd.)

Construction Contracts

Revenues on construction contracts are recognized over time, as performance obligations are satisfied, due to the continuous transfer of control to the customer. The customer typically controls the asset under construction, as the performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The Company's construction contracts are generally accounted for as a single performance obligation, since the Company is providing a significant service of integrating components into a single project. The Company recognizes revenue with an "input method" using the percentage of completion method, whereby progress towards completion is recognized according to the percentage of incurred costs to estimated total costs. This method best depicts the transfer of control to the customer which occurs as the Company incurs costs on its contracts. Incurred costs represent work performed, which corresponds with, and thereby best depicts the transfer of control to the customer.

Because the Company almost always acts as a principal in the construction contracts, gross revenues are recognized. The Company is considered the principal because the Company controls the contractually specified goods and services before they are transferred to the customer.

Revenues on uninstalled materials are recognized when control is transferred to the customer. Under certain circumstances (e.g., transfer of control occurs significantly before services are provided, the cost of the material is significant), revenue on certain uninstalled third-party materials is recognized when the cost is incurred; however, profit is not recognized until the material is ultimately installed in the project.

Practical Expedients and Exemptions

Upon the adoption of ASC 606, the Company utilized certain practical expedients and exemptions as follows:

- Applied the modified-retrospective method upon adoption of ASC 606, which allowed the new accounting standard to be applied only to contracts that were not considered substantially complete as of January 1, 2019.
- In cases where the Company has an unconditional right to consideration from a customer in an amount that corresponds directly with the value of the performance completed to date, the Company recognizes revenue in the amount to which there is a right to invoice for services performed.
- The contract price is not adjusted for the effects of a significant financing component if the Company expects, at contract inception, that the period between when the Company transfers a service to a customer and when the customer pays for that service will be one year or less.
- Incremental customer contract acquisition costs are expensed as they are incurred, when the amortization period is less than one year.

ALUMIL FABRICATION INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 2 - Summary of Significant Accounting Policies

Revenue Recognition (cont'd.)

Contract Assets and Liabilities

Billing practices are governed by the contract terms of each project based upon costs incurred, achievement of milestones, or predetermined schedules. Billings do not necessarily correlate with revenue recognized over time using the percentage-of-completion method. Contract assets include unbilled amounts typically resulting from revenue under long-term contracts when the percentage-of-completion method of revenue recognition is utilized and revenue recognition exceeds the amount billed to the customer. Contract liabilities consist of advance payments and billings in excess of revenue recognized as well as deferred revenue.

The Company's contract assets and liabilities are reported in a net position on a contract-by-contract basis at the end of each reporting period. In accordance with normal construction industry practice, the Company includes in current assets and current liabilities amounts relating to construction contracts realizable and payable over a period in excess of one year.

The opening and closing balances of contract receivables, contract assets and contract liabilities from contracts with customers are as follows:

	Contract Receivables, Net	Contract Assets	Contract Liabilities
Balance, January 1, 2019	\$ 2,528,910	\$ 196,938	\$ 768,752
Balance, December 31, 2019	\$ 1,376,918	\$ -	\$ -

Combining Contracts

The Company evaluates whether two or more contracts, with the same customer, should be combined and accounted for as a single contract and whether a single or combined contract should be accounted for as more than one performance obligation. This evaluation requires significant judgment and could change the amount of revenue and profit recorded in each period.

Performance Obligations

Generally, the Company's contracts contain one performance obligation. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account. The Company's performance of the contracts with customers typically provides a significant service of integrating a complex set of tasks and components into a single project or capability (even if that single project results in the delivery of multiple units), and as such, the entire contract is accounted for as one performance obligation. The transaction price is allocated to the performance obligation and recognized as revenue when, or as, the performance obligation is satisfied with the continuous transfer of control to the customer.

ALUMIL FABRICATION INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

Revenue Recognition (cont'd.)

Performance Obligations (cont'd.)

Less commonly, a contract may be considered to have multiple performance obligations even when they are part of a single contract. For contracts with multiple performance obligations, the Company allocates the transaction price to each performance obligation using the best estimate of the standalone selling price of each distinct good or service in the contract.

Transaction Price

The transaction price is the amount of consideration to which the Company expects to be entitled to in exchange for transferring goods and services to the customer. The consideration promised in a contract with customers may include both fixed and variable amounts to the extent that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved (i.e., probable and estimable).

Variable Consideration

The nature of the Company's contracts gives rise to several types of variable consideration, including claims, bonuses, incentives and/or penalties and liquidating damages. The Company includes in the contract estimates additional revenue for variable consideration when the Company believes it has an enforceable right to the modification, the amount can be estimated reliably, and it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. The Company uses the expected value (i.e., the sum of a probability-weighted amount) or the most likely amount method, whichever is expected to better predict the amount. These estimates are based on management's assessment of legal enforceability, Company performance, and all information (historical, current, and forecasted) that is reasonably available to the Company.

Contract Modifications

Contract modifications are routine in the performance of the Company's contracts. Contracts are often modified to account for changes in the contract specifications or requirements. In most instances, contract modifications are for goods or services that are not distinct, and, therefore, are accounted for as part of the existing contract.

The Company accounts for contract modifications as a separate contract when the modification results in the promise to deliver additional goods or services that are distinct and the increase in price of the contract is for the same amount as the standalone selling price of the additional goods or services included in the modification.

ALUMIL FABRICATION INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

Revenue Recognition (cont'd.)

Cost Recognition

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.

Costs incurred that do not contribute to satisfying performance obligations are excluded from the cost input calculation as these amounts are not reflective of transferring control to the customer. Costs are generally recognized as incurred. Under certain circumstances, costs incurred in the period related to future activity of the contract or costs that benefit the entire performance obligation (fulfillment costs) may be capitalized.

Changes in Contract Performance

Changes in job performance, job conditions and estimated profitability, including those arising from settlements, may result in revisions to costs and income and are recognized in the period in which the revisions are determined. The Company recognizes adjustments in estimated profit on contracts under the cumulative catch-up method. Under this method, the impact of the adjustment on profit recorded to date is recognized in the period the adjustment is identified. Revenue and profit in future periods of contract performance are recognized using the adjusted estimate. Because of the inherent uncertainty in estimating the costs to complete on contracts in process, it is at least reasonably possible that the estimates used will change in the near term.

Economic Factors

The Company performs contracts with multi-family residential and commercial properties. The customers and contracts are mainly from the New York metropolitan area as well as other major U.S. cities and Canada. The Company typically performs under fixed-price and unit-price contracts. The length of contracts varies but typically is less than two years.

Contract and Accounts Receivables

The Company carries its contract and accounts receivables at cost. 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.

ALUMIL FABRICATION INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

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, 2019, 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, 2019, the Company does not believe it has any uncertain tax positions that would qualify for either recognition or disclosure in the financial statements.

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.

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, 2019, advertising expense was \$44,617.

ALUMIL FABRICATION INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

Foreign Currency Transactions

The Company has foreign currency exposure arising from purchases of its materials, used in manufacturing its windows and doors, as it primarily purchases materials from its 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 were \$15,794 for the year ended December 31, 2019.

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*.

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, 2020, and interim periods within annual periods beginning after December 15, 2021, based on the FASB's vote at its October 16, 2019 meeting to defer the implementation dates by one year. Early application is permitted for all entities.

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

ALUMIL FABRICATION INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 3 - Contract and Account Receivables

Contract and account receivables, net are summarized as follows:

BILLED:	
Completed contracts	\$ 1,632,729
Less: Allowance for doubtful accounts	<u>255,811</u>
	<u>\$ 1,376,918</u>

An analysis of the changes in the allowance for doubtful accounts is as follows

Balance as January 1, 2019	\$ 335,362
Increase in allowance	58,449
Recovery of bad debt	<u>(138,000)</u>
Balance at December 31, 2019	<u>\$ 255,811</u>

Note 4 - Property and Equipment

Property and equipment, net is summarized as follows:

Furniture	\$ 20,012
Computer equipment	<u>51,072</u>
	71,084
Less: Accumulated depreciation	<u>40,141</u>
	<u>\$ 30,943</u>

Note 9 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, 2019 was \$13,473.

Note 5 - Related Party Transactions

Loan Payable - Affiliate

The Company has a loan payable to one of its foreign shareholders in the amount of \$867,082, including accrued interest of \$17,082. The loan is unsecured, bears interest at 0.75% per annum and is due on December 31, 2020. This is an international loan, and the interest rate complies with the regulations of the Swiss federal tax authority tax rate. 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, 2019 amounted to \$6,375.

ALUMIL FABRICATION INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 5 - Related Party Transactions (cont'd.)

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 \$3,343,000 for the year ended December 31, 2019. The Company has accounts payable of \$4,025,403 due to the parent company as of December 31, 2019.

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.

Note 6 - Provision for Income Taxes

The provision for income taxes is summarized as follows:

Current:

State and local	\$ 7,000
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The Company files its tax returns using the percentage of completion method.

The Company files income tax returns in the U.S. federal and State of New York and New York City jurisdictions. The tax years 2016 to 2018 are subject to examination by the taxing authorities.

Note 7 - 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, 2019, the Company made contributions of \$25,880.

ALUMIL FABRICATION INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 8 - 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. The Company and the landlord reached a settlement in the amount of \$75,000 on September 13, 2019. See Note 9 for the closing of the manufacturing facility. The Company also rents additional office space on a month-to-month basis at approximately \$10,000 per month. The Company also leases office equipment on a month-to-month basis at approximately \$1,752 per month. Rent expense related to the leases for the year ended December 31, 2019 was \$121,435 and is included in general and administrative expenses.

At December 31, 2019, the future minimum lease payments under the terms of the remaining lease agreements are as follows:

Years Ending December 31:

2020	\$	1,752
2021		1,752
2022		1,314
		<hr/>
	\$	4,818
		<hr/>

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 the Company's 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.

ALUMIL FABRICATION INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 9 - 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.

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, as of December 31, 2018, incurred and had accrued additional facility lease expenses in the amount of \$335,034 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 after April 2019. On September 13, 2019, the Company reached a settlement with the landlord in the amount of \$75,000. As a result, rent expense was credited for \$260,034 in 2019.

The Company completed its contract work as of December 31, 2019. Beginning in 2020, the Company will be a representative office acting as an agent for the sales of windows and door units on behalf of its parent company, Alumil S.A., mainly in North America.

Note 10 - Risk of Loss

The Company maintains cash and cash equivalent balances at one 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 11 - 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 December 31, 2019, one customer represented approximately 55% of the Company's revenue.

Note 12 - 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, 2019

Note 13 - Subsequent Events

The Company has evaluated all events or transactions that occurred after December 31, 2019 through March 26, 2020, which is the date that these financial statements were available to be issued. During this period, there were no material subsequent events requiring disclosure except as follows:

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of multiple businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty concerning the duration of the closings. Therefore, the Company expects this matter to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

SUPPLEMENTARY INFORMATION

ALUMIL FABRICATION INC.
SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRACTS COMPLETED
DURING THE YEAR ENDED DECEMBER 31, 2019

	Contract Totals			Prior to January 1, 2019			During the Year Ended December 31, 2019		
	Contract Revenues	Contract Costs	Gross Profit (Loss)	Contract Revenues	Contract Costs	Gross Profit (Loss)	Contract Revenues	Contract Costs	Gross Profit (Loss)
VANCOUVER HOUSE - BEACH & HOWE	\$ 1,605,677	\$ 1,022,936	\$ 582,741	\$ 1,597,357	\$ 1,011,772	\$ 585,585	\$ 8,320	\$ 11,164	\$ (2,844)
1700 PENDRELL	2,553,941	3,377,982	(824,041)	2,129,694	2,834,908	(705,214)	424,247	543,074	(118,827)
601 WASHINGTON STREET	1,840,184	2,955,890	(1,115,706)	1,123,550	1,071,436	52,114	716,634	1,884,454	(1,167,820)
80 ADAMS STREET	2,919,597	3,171,793	(252,196)	670,866	559,058	111,808	2,248,731	2,612,735	(364,004)
537 GRAND STREET	102,300	65,330	36,970	0	0	0	102,300	65,330	36,970
912 BROADWAY	517,156	303,236	213,920	0	0	0	517,156	303,236	213,920
MISCELLANEOUS	38,575	369,015	(330,440)	0	0	0	38,575	369,015	(330,440)
	<u>\$ 9,577,430</u>	<u>\$ 11,266,182</u>	<u>\$ (1,688,752)</u>	<u>\$ 5,521,467</u>	<u>\$ 5,477,174</u>	<u>\$ 44,293</u>	<u>\$ 4,055,963</u>	<u>\$ 5,789,008</u>	<u>\$ (1,733,045)</u>

See independent auditors' report on supplementary information.

ALUMIL FABRICATION INC.
SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRACT COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019

DIRECT LABOR	\$ 768,320
PROJECT MANAGEMENT	20,000
SUBCONTRACTORS	952,264
MATERIALS AND SUPPLIES	3,742,554
OTHER DIRECT COSTS	166,048
DEPRECIATION	2,120
PAYROLL TAXES AND FRINGE BENEFITS	<u>137,702</u>
	<u>\$ 5,789,008</u>

See independent auditors' report on supplementary information.

ALUMIL FABRICATION INC.
SUPPLEMENTARY INFORMATION
SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

OFFICE SALARIES	\$ 269,624
TRAVEL AND ENTERTAINMENT	112,106
INSURANCE	95,247
PROFESSIONAL FEES	78,601
AUTO AND TRUCK	78,369
PAYROLL TAXES AND FRINGE BENEFITS	77,458
ADVERTISING	44,617
OFFICE EXPENSE	44,554
PENSION EXPENSE	25,880
COMPUTER EXPENSE	15,654
TELEPHONE	14,941
DEPRECIATION	11,353
CONSULTING	7,562
UTILITIES	6,120
REPAIRS AND MAINTENANCE	5,196
BAD DEBT RECOVERY	(69,476)
RENT	(138,565)
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	\$ 679,241
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See independent auditors' report on supplementary information.