

**KERAMIDA ENVIRONMENTAL, INC.**  
**Financial Statements**  
**Year Ended December 31, 2020**

## KERAMIDA ENVIRONMENTAL, INC.

### TABLE OF CONTENTS

<b>Independent Accountants' Review Report on the Financial Statements and Supplementary Information .....</b>	<b>Page 1-2</b>
<b>Financial Statements</b>	
Balance Sheet.....	3
Statement of Operations.....	4
Statement of Shareholders' Equity.....	5
Statement of Cash Flows.....	6
Notes to Financial Statements .....	7-19
<b>Supplementary Information</b>	
Schedule I - Detail of Revenues.....	20
Schedule II - Detail of Reimbursable Expenses.....	21
Schedule III - Detail of Field Expenses .....	22
Schedule IV - Detail of Administrative Expenses .....	23
Schedule V - Detail of Marketing Expenses .....	24
Schedule VI - Detail of Bonuses and Incentives .....	25



## **Independent Accountants' Review Report**

**To the Board of Directors  
KERAMIDA ENVIRONMENTAL, INC.  
Indianapolis, Indiana**

We have reviewed the accompanying financial statements of KERAMIDA ENVIRONMENTAL, INC., which comprise the balance sheet as of December 31, 2020, and the related statements of operations, shareholders' equity and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### ***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.

### ***Accountants' Responsibility***

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### ***Emphasis of Matter***

As described in Note O to the financial statements, beginning retained earnings has been restated to correct a misstatement.

### ***Accountants' Conclusion***

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

**Other Matter**

The accompanying supplementary information detailed in the table of contents 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 and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

A handwritten signature in black ink that reads "Somerset CPAs, P.C". The script is cursive and fluid.

Indianapolis, Indiana  
April 1, 2021

**KERAMIDA ENVIRONMENTAL, INC.****Balance Sheet  
December 31, 2020****Assets****Current Assets**

Cash	\$ 570,944
Accounts receivable, net	3,903,893
Unbilled work in process	196,697
Other receivables	9,883
Interest receivable from shareholders	3,246
Prepaid expenses	266,329
	<hr/>
Total Current Assets	4,950,992

**Property and Equipment**

Machinery and equipment	434,334
Office furniture and equipment	164,130
Vehicles	310,467
Leasehold improvements	183,417
Software	263,342
Accumulated depreciation	(965,974)
	<hr/>
Total Property and Equipment	389,716

**Other Assets**

Long-term trade accounts receivable, net	87,000
Intangible assets, net	21,667
	<hr/>
Total Other Assets	108,667
	<hr/>
Total Assets	\$ 5,449,375

## **Liabilities and Shareholders' Equity**

### **Current Liabilities**

Current maturities of long-term debt	\$ 13,806
Current maturities of capital lease obligation	7,267
Short-term notes payable	155,578
Accounts payable	1,885,150
Client deposits	5,548
Accrued interest - shareholder	575
Accrued expenses	195,250
	<hr/>
Total Current Liabilities	2,263,174
	<hr/>

### **Shareholders' Equity**

Common stock	1,000
Additional paid-in capital	1,146,091
Retained earnings	2,137,424
Less subscriber notes receivable	(98,314)
	<hr/>
Total Shareholders' Equity	3,186,201
	<hr/>

Total Liabilities and Shareholders' Equity	<u><u>\$ 5,449,375</u></u>
--	----------------------------

See accompanying notes and independent accountants' review report.

**KERAMIDA ENVIRONMENTAL, INC.**  
**Statement of Operations**  
**For the Year Ended December 31, 2020**

		<u>%</u>
Revenues	\$ 21,332,856	100.0
Direct Expenses		
Reimbursable expenses	9,981,535	46.8
Field expenses	7,527,281	35.3
Total Direct Expenses	17,508,816	82.1
Gross Profit	3,824,040	17.9
Operating Expenses		
Administrative expenses	3,137,795	14.7
Marketing expenses	236,147	1.1
Bad debt expense	24,693	0.1
Total Operating Expenses	3,398,635	15.9
Income from Operations		
Before Discretionary Expenses	425,405	2.0
Discretionary Expenses		
Bonuses and incentives	343,265	1.6
Income from Operations	82,140	0.4
Other Income (Expense)		
Interest income	1,633	0.0
Paycheck Protection Program (PPP) principal forgiveness	1,426,745	6.7
Miscellaneous income	20,393	0.1
Loss on disposal of fixed assets	(1,651)	0.0
Interest expense	(29,754)	(0.1)
Total Other Income (Expense)	1,417,366	6.7
<b>Net Income</b>	<b>\$ 1,499,506</b>	<b>7.0</b>

See accompanying notes and independent accountants' review report.

**KERAMIDA ENVIRONMENTAL, INC.**  
**Statement of Shareholders' Equity**  
**For the Year Ended December 31, 2020**

	<b>Common Stock</b>	<b>Additional Paid-in Capital</b>	<b>Retained Earnings</b>	<b>Subscriber Notes Receivable</b>	<b>Total Shareholders' Equity</b>
Balance at January 1, 2020, as previously reported	\$ 1,000	\$ 1,121,270	\$ 754,171	\$ (78,666)	\$ 1,797,775
Prior period adjustment (See Note O)	<u>0</u>	<u>0</u>	<u>(116,253)</u>	<u>0</u>	<u>(116,253)</u>
Balance at January 1, 2020, as restated	1,000	1,121,270	637,918	(78,666)	1,681,522
Net income	0	0	1,499,506	0	1,499,506
Issuance of stock	<u>0</u>	<u>24,821</u>	<u>0</u>	<u>(19,648)</u>	<u>5,173</u>
Balance at December 31, 2020	<u><u>\$ 1,000</u></u>	<u><u>\$ 1,146,091</u></u>	<u><u>\$ 2,137,424</u></u>	<u><u>\$ (98,314)</u></u>	<u><u>\$ 3,186,201</u></u>

See accompanying notes and independent accountants' review report.



**KERAMIDA ENVIRONMENTAL, INC.**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2020**

**Cash Flows from Operating Activities**

Net income	\$ 1,499,506
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	157,274
Loss on disposal of fixed assets	1,651
Paycheck Protection Program (PPP) principal forgiveness	(1,426,745)
Decrease (increase) in certain assets:	
Accounts receivable	(740,381)
Unbilled work in process	98,306
Prepaid expenses	84,960
Other receivables	1,464
Increase (decrease) in certain liabilities:	
Accounts payable	301,014
Client deposits	(1,296)
Accrued expenses	46,266
	<hr/>
Net cash provided by operating activities	22,019 <hr/>

**Cash Flows from Investing Activities**

Capital expenditures	(71,986) <hr/>
----------------------	----------------

**Cash Flows from Financing Activities**

Net payments on line of credit	(540,406)
Principal payments on short-term notes payable	(162,360)
Principal payments on related party notes payable	(201,118)
Principal payments on capital lease obligations	(9,959)
Principal payments on long-term debt	(39,401)
Paycheck Protection Program (PPP) loan proceeds	1,426,745
Proceeds from issuance of stock	5,173
	<hr/>
Net cash provided by financing activities	478,674 <hr/>

**Net Increase in Cash**

428,707

Cash, Beginning of Year

142,237

---

**Cash, End of Year**

\$ 570,944

---

---

**Supplemental Cash Flows Disclosure**

Interest paid	\$ 104,338 <hr/> <hr/>
---------------	------------------------

See accompanying notes and independent accountants' review report.

# KERAMIDA ENVIRONMENTAL, INC.

## Notes to Financial Statements

December 31, 2020

### **Note A - Nature of Operations and Summary of Significant Accounting Policies:**

#### **Nature of Operations**

Keramida Environmental, Inc. (the Company), is a high-tech, full-service sustainability, environmental, health & safety, and remediation consulting and engineering firm providing services to industries, cities and governments worldwide. The firm is headquartered in Indianapolis, Indiana, with an additional office in Sacramento, California.

#### **Revenue and Cost Recognition**

The Company follows the requirements of Accounting Standards Codification ("ASC") Topic 606 ("Topic 606"), *Revenue from Contracts with Customers*. Under Topic 606, revenue is recognized when, or as, control of promised goods and services is transferred to customers, and the amount of revenue recognized reflects the consideration to which an entity expects to be entitled in exchange for the goods and services transferred.

#### *Contract Combination*

To determine the proper revenue recognition method for contracts, the Company evaluates whether two or more contracts should be combined and accounted for as one single contract, and whether the combined or single contract should be accounted for as more than one performance obligation. This evaluation requires significant judgment, and the decision to combine a group of contracts or separate a combined or single contract into multiple performance obligations could change the amount of revenue and profit recorded in a given period. Contracts are considered to have a single performance obligation if the promise to transfer the individual goods or services is not separately identifiable from other promises in the contracts, primarily because the Company provides a significant service of integrating a complex set of tasks and components into a single project or capability.

Generally, the Company's contracts contain one performance obligation. The Company reviews its contracts at contract inception to determine if the contract represents multiple performance obligations or a single performance obligation. When a contract has a single performance obligation, the entire transaction price is attributed to that performance obligation. For contracts with multiple performance obligations, the Company allocates the transaction price to each performance obligation using management's best estimate of the standalone selling price of each distinct good or service in the contract, which typically is determined using cost plus an appropriate margin.

**KERAMIDA ENVIRONMENTAL, INC.**

**Notes to Financial Statements**

**December 31, 2020**

**Note A - Nature of Operations and Summary of Significant Accounting Policies (Continued):**

**Revenue and Cost Recognition (Continued)**

*Contract Types*

The Company derives revenues primarily from time and materials and fixed price arrangements. Under time and material arrangements, revenues are based upon time and materials incurred. Those contracts may be structured as basic time and materials, cost plus a margin or time and materials subject to a maximum contract value. Under cost plus contracts, the Company charges its clients for its costs, including both direct and indirect costs, plus a fixed fee or rate. Under fixed price arrangements, clients pay the Company an agreed fixed amount negotiated in advance for a specified scope of work. The majority of the Company's contracts are for consulting projects where it bills the client monthly at hourly billing rates. The hourly billing rates are determined by contract terms.

*Recognition Method*

The Company recognizes revenues over time using the output method which measures progress toward complete satisfaction of the performance obligation based upon the value to the customer for the Company's performance completed to date, using the right to invoice practical expedient.

*Contract Estimates and Modifications*

Management reviews estimates of total contract transaction price and total project costs on an ongoing basis. Changes in job performance, job conditions and management's assessment of expected variable considerations are factors that influence estimates of total contract transaction price, total costs to complete those contracts and the Company's profit recognition. Changes in these factors may result in revisions to revenue in the period in which the revisions are determined, which could materially affect the Company's results of operations for that period. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

Contracts are often modified to account for changes in contract specifications and requirements. Most of the Company's contract modifications are for goods or services that are not distinct from existing contracts, due to the significant integration provided in the context of the contract, and are accounted for as if they were part of the original contract. The effect of a contract modification on the transaction price, and the Company's measure of progress for the performance obligation to which it relates, is recognized as an adjustment to revenue (either as an increase in or a reduction of revenue) on a cumulative catch-up basis. The Company accounts for contract modifications 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 stand-alone selling price of the additional goods or services included in the modification.

**KERAMIDA ENVIRONMENTAL, INC.**  
**Notes to Financial Statements**  
**December 31, 2020**

**Note A - Nature of Operations and Summary of Significant Accounting Policies (Continued):**

**Revenue and Cost Recognition (Continued)**

*Contract Assets (Unbilled Work in Process)*

Contract assets include unbilled amounts typically resulting from performance under contracts where the revenue recognized exceeds the amount billed to the customer. The asset "Unbilled Work in Process" represents revenues earned in excess of amounts billed typically resulting from performance under contracts billed to the customer. These unbilled amounts are stated at net realizable value and will become billable according to the contract terms, and generally will be billed and collected over the next 12 months. Based on historical experience, the Company generally considers the collection risk related to these amounts to be low. When events or conditions indicate that it is probable that the amounts outstanding become unbillable, the transaction price and associated contract asset is reduced.

*Contract Liabilities (Client Deposits)*

The liability "Client Deposits" represents advance payments received from customers for future project services. Generally, the revenue will be earned within the next 12 months.

*Contract Costs*

Contract costs include all direct labor costs, reimbursable expenses, subconsultants and other direct costs related to contract performance. These costs are recorded as incurred and revisions to estimated total costs are reflected as soon as the obligation to perform is determined. Changes in job performances, job conditions and estimated profitability may result in revisions to costs and income, which are recognized in the period in which the revisions are determined.

**Accounts Receivable**

Accounts receivable are recognized when the Company's right to consideration is unconditional and are presented net of an allowance for doubtful accounts. On a periodic basis, the Company evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on history of past write-offs and collections and current credit conditions. The Company has established an allowance for doubtful accounts of \$130,000 at December 31, 2020.

The Company accrues interest on certain past due trade receivables. Accrued interest is included in accounts receivable and recorded as interest income in the Statement of Operations. Interest income on past due trade receivables amounted to \$0 for the year ended December 31, 2020.

**KERAMIDA ENVIRONMENTAL, INC.**  
**Notes to Financial Statements**  
**December 31, 2020**

**Note A - Nature of Operations and Summary of Significant Accounting Policies (Continued):**

**Property, Equipment and Depreciation**

Property and equipment are carried at cost and include expenditures for new additions and those that substantially increase the useful lives of existing assets. Depreciation is computed by use of the straight-line method. Depreciable lives generally range from 3 to 40 years.

Expenditures for normal repairs and maintenance are charged to operations as incurred. The cost of property or equipment retired or otherwise disposed of and the related accumulated depreciation are removed from the accounts in the year of disposal, with the resulting gain or loss reflected in earnings.

The provision for depreciation amounted to \$137,274 for the year ended December 31, 2020.

**Long-lived Assets**

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount over the fair value of the asset. Certain long-lived assets to be disposed of by sale are reported at the lower of carrying amount or fair value less cost to sell.

**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 corporation income taxes, the shareholders of an S corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision for income taxes has been included in the financial statements.

Authoritative accounting standards require the Company to examine its tax positions for uncertain positions. Management is not aware of any tax positions that are more likely than not to change in the next 12 months or that would not sustain an examination by applicable taxing authorities.

The Company's policy is to recognize income tax penalties and interest as incurred in its Statement of Operations, which amounted to \$0 for the year ended December 31, 2020.

**Use of Estimates**

The preparation of 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 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.

**KERAMIDA ENVIRONMENTAL, INC.**  
**Notes to Financial Statements**  
**December 31, 2020**

**Note A - Nature of Operations and Summary of Significant Accounting Policies (Continued):**

**Use of Estimates (Continued)**

Significant estimates used in preparing these financial statements include those assumed in computing profit percentages under the output revenue recognition method and allowance for doubtful accounts. It is reasonably possible that the significant estimates used will change within the next year.

**Cash Flows and Noncash Investing and Financing Activities**

For purposes of the Statement of Cash Flows, the Company considers all highly liquid instruments that are purchased within three months or less of an instrument's maturity date to be cash equivalents.

The following summarizes noncash investing and financing activities for the year ended December 31, 2020:

Short-term financing of annual professional liability insurance (Refer to Note E).	<u>\$ 189,062</u>
--	-------------------

**Recently Issued Accounting Pronouncements**

FASB Topic 842, *Leases*, was created from the February 2016 issuance of FASB Accounting Standards Update 2016-02. The pronouncement establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard also requires a lessor to classify leases as either sales-type, finance or operating. A lease will be treated as a sale if it transfers all of the risks and rewards, as well as control of the underlying asset, to the lessee. If risks and rewards are conveyed without the transfer of control, the lease is treated as financing. If the lessor doesn't convey risks and rewards or control, an operating lease results. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. A modified retrospective transition approach is required for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is currently evaluating the impact of this accounting standards update.

**KERAMIDA ENVIRONMENTAL, INC.****Notes to Financial Statements****December 31, 2020****Note B - Accounts Receivable, Contract Assets and Contract Liabilities:**

Accounts receivable, contract assets and contract liabilities include the following at December 31, 2020, in addition to January 1, 2020:

	<b>December 31, 2020</b>	<b>January 1, 2020</b>
<b>Accounts Receivable:</b>		
Accounts receivable	\$ 4,120,893	\$ 3,380,512
Less allowance for doubtful accounts	(130,000)	(130,000)
	<u>\$ 3,990,893</u>	<u>\$ 3,250,512</u>
<b>Contract Assets:</b>		
Unbilled work in process	<u>\$ 196,697</u>	<u>\$ 295,003</u>
<b>Contract Liabilities:</b>		
Client deposits	<u>\$ 5,548</u>	<u>\$ 6,844</u>

**Note C - Intangible Assets:**

The following sets forth the gross carrying amount and accumulated amortization of the Company's intangible assets at December 31, 2020:

	<b>Gross Amount</b>	<b>Accumulated Amortization</b>
Intangibles subject to amortization:		
Noncompete agreement	\$ 10,000	\$ 7,833
Customer list	90,000	70,500
	<u>\$ 100,000</u>	<u>\$ 78,333</u>

Intangible assets amortization expense amounted to \$20,000 for the year ended December 31, 2020.

Amortization expense on intangible assets for future years is approximately as follows:

<b><u>Year Ending December 31,</u></b>	
2021	\$ 20,000
2022	1,667
	<u>\$ 21,667</u>
Total Amortization	<u>\$ 21,667</u>

**KERAMIDA ENVIRONMENTAL, INC.****Notes to Financial Statements****December 31, 2020****Note D - Subscriber Notes Receivable:**

During the year ended December 31, 2020, subscriber notes receivable were received in exchange for 100 shares of common stock valued at \$24,821 (\$5,173 paid in cash and \$19,648 as notes). The Company also has subscriber notes receivable that were received during 2014, 2015 and 2019 in exchange for the issuance of common stock.

Pursuant to the underlying promissory notes, each note is due in five annual installments, however, payments have not been received in accordance with the outlined terms. Accordingly, the notes issued in 2014 and 2015 are currently due on demand while the note issued in 2019 is due July 1, 2023, and the notes issued in 2020 are due at various dates through September 1, 2025. Interest is charged at the applicable federal rate at the time of issuance, with rates ranging from 0.35% to 2.89%.

The outstanding balance of subscriber notes receivable, which appears as a reduction to shareholders' equity, amounted to \$98,314 at December 31, 2020.

At December 31, 2020, future minimum principal collections of subscriber notes receivable are as follows:

<b><u>Year Ending December 31,</u></b>	
2021	\$ 69,556
2022	7,729
2023	7,729
2024	9,370
2025	3,930
	<hr/>
	\$ 98,314
	<hr/>

**Note E - Debt and Credit Arrangements:****Line of Credit**

The Company had a revolving line of credit agreement that provided for maximum borrowings of \$1,100,000 and matured June 2020. Interest was charged at the fluctuating one-month LIBOR rate plus 2.55%.

In January 2021, the Company obtained a new line of credit facility that allows for maximum borrowings of \$1,250,00 and matures January 2022. Interest is charged at the prime rate plus 0.25% (3.50% at December 31, 2020).



**KERAMIDA ENVIRONMENTAL, INC.**  
**Notes to Financial Statements**  
**December 31, 2020**

**Note E - Debt and Credit Arrangements (Continued):**

**Short-term**

Short-term debt consists of the following at December 31, 2020:

Note Payable to Financial Institution:

Installment note payable for financing of annual professional liability insurance premiums. Due in monthly installments of \$17,793, including interest at 6.98% through October 2021.

\$ 155,578

The Company also had a short-term note payable to the majority shareholder that was satisfied in 2020. Shareholder interest expense amounted to \$5,411 for the year ended December 31, 2020. Accrued interest payable to the shareholder amounted to \$575 at December 31, 2020.

**Long-term**

Long-term debt consists of the following at December 31, 2020:

Various installment notes secured by equipment and vehicles, requiring monthly payments of principal and interest aggregating to approximately \$2,709, including interest ranging from 3.39% to 8.39%, maturing in 2021.

\$ 13,806

Less current maturities

(13,806)

Long-term debt

\$ 0

At December 31, 2020, future maturities of long-term debt are as follows:

**Year Ending December 31,**

2021

\$ 13,806

**Note F - Capital Lease:**

A long-term lease related to the financing of certain fixed assets is accounted for as installment purchases. The capital lease obligation reflects the present value of future rental payments, discounted at the interest rate implicit in the lease, and the corresponding amount is capitalized as the cost of the fixed asset. The fixed asset is being depreciated over a period of five years.

**KERAMIDA ENVIRONMENTAL, INC.****Notes to Financial Statements****December 31, 2020****Note F - Capital Lease (Continued):**

The following is an analysis of the fixed asset under capital lease at December 31, 2020:

Equipment	\$ 43,583
Less allowance for depreciation	<u>(38,498)</u>
	<u>\$ 5,085</u>

The provision for amortization of fixed assets under capital lease is included in depreciation expense as disclosed in Note A.

Future minimum lease payments due under the capital lease obligation together with the present value of net minimum lease payments as of December 31, 2020, are as follows:

<b><u>Year Ending December 31,</u></b>	
2021	<u>\$ 7,568</u>
Total minimum lease payments	7,568
Less amounts representing interest	<u>(301)</u>
Present value of net minimum lease payments	7,267
Less current maturities	<u>(7,267)</u>
Long-term obligation	<u>\$ 0</u>

**Note G - Paycheck Protection Program Loan:**

The Company has applied for and has received funds of \$1,426,745 under the Paycheck Protection Program ("PPP") of the Coronavirus Aid, Relief and Economic Security (CARES) Act during the year ended December 31, 2020. The application for these funds requires the Company to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of the Company. This certification further requires the Company to take into account its current business activity and its ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to the business. The receipt of these funds, and the forgiveness of the loan attendant to these funds, is dependent on the Company having initially qualified for the loan and qualifying for the forgiveness of such loan based on the Company's adherence to the forgiveness criteria. The accounting for government assistance provided to a business depends on whether the government assistance is considered a loan, payment for goods or services, an income tax credit or a grant. The Company has concluded that the funds received under the Paycheck Protection Program are a loan, which matures in April 2022 with interest payable at a fixed rate of 1%.

**KERAMIDA ENVIRONMENTAL, INC.**  
**Notes to Financial Statements**  
**December 31, 2020**

**Note G - Paycheck Protection Program Loan (Continued):**

On November 20, 2020, the Company was formally released from its full obligation upon confirmation of forgiveness from the Small Business Administration. The Company has recognized other income of \$1,426,745 during the year ended December 31, 2020, within the Statement of Operations for the amount of principal forgiven.

**Note H - Retirement Plan:**

The Company maintains a 401(k) plan that covers all employees who meet the eligibility requirements set forth in the plan. Matching and profit-sharing contributions are made by the Company at management's discretion and are allocated based upon each participant's eligible compensation. Company contributions amounted to \$56,006 for the year ended December 31, 2020.

**Note I - Common Stock:**

The Company has voting stock with equal voting rights. All the stock is no par value.

During the year ended December 31, 2020, the Company issued an additional 100 shares of its common stock for \$24,821 (See Note D).

The following summarizes the Company's shares of common stock as of December 31, 2020:

Authorized	10,000
Issued	5,139
Outstanding	5,139

The Company also has employee share option agreements outstanding with certain employees. The agreements allow 12 months to exercise the option to purchase a certain number of shares at a price based on book value reduced by a discount for minority interest. Under these agreements, there was a total of 610 shares not yet exercised as of December 31, 2020. The agreements expire at various months in 2021.

**Note J - Operating Leases:**

The Company leases its Indianapolis, Indiana office facility from Skyros, LLC, an entity owned by a related party under a long-term lease agreement, which expires in December 2022. The agreement includes an option to renew the lease for an additional three years to extend the lease to December 2025. In addition to base monthly rent, the agreement requires the Company to pay its proportionate share of real estate taxes, insurance and common area maintenance expenses. Rent expense under this lease amounted to \$252,000 for the year ended December 31, 2020.

**KERAMIDA ENVIRONMENTAL, INC.****Notes to Financial Statements****December 31, 2020****Note J - Operating Leases (Continued):**

The Company leases its Sacramento, California office facility from an unrelated third party under an agreement extending through January 2024. Rent expense amounted to \$51,491 for the year ended December 31, 2020.

The Company leases its Cerritos, California office facility from an unrelated third party under an agreement extending through February 2021. Rent expense amounted to \$16,988 for the year ended December 31, 2020.

Future minimum commitments under these leases are as follows at December 31, 2020:

**Year Ending December 31,**

2021	\$ 283,667
2022	284,301
2023	33,271
2024	2,779
	<hr/>
	\$ 604,018
	<hr/>

**Note K - Related Party Transactions and Contingent Liabilities:****Skyros, LLC**

The spouse of the Company's majority shareholder is the sole member of this entity. The Company leases its Indianapolis, Indiana office facility from this entity (Refer to Note J).

The Company, together with its majority shareholder and spouse, are guarantors of a promissory note held by this entity that is due February 2029. Interest on the note is charged at the fluctuating one-month LIBOR rate plus 3.625% (approximately 3.773% at December 31, 2020). The outstanding principal balance amounted to approximately \$596,000 as of December 31, 2020.

**Kimi, LLC**

The spouse of the Company's majority shareholder is the sole member of this entity. The Company leases certain engineering equipment from this entity at daily rental rates. Equipment lease expense under this arrangement amounted to \$15,750 for the year ended December 31, 2020.

**KERAMIDA ENVIRONMENTAL, INC.**  
**Notes to Financial Statements**  
**December 31, 2020**

**Note L - Variable Interest Entities:**

The Company has concluded that it is the primary beneficiary of variable interest entities, Skyros, LLC, from which it leases its facilities, and Kimi, LLC, from which it leases certain equipment. Activity related to these entities is included in Note J and Note K. Skyros, LLC, was designed to hold various real estate investments held primarily by the Company's shareholders. Kimi, LLC, was designed to lease certain equipment to the Company. These entities were not intended to be a separate operating segment of the Company.

Accounting standards allow private companies to opt out of applying the variable interest entity ("VIE") consolidation guidance to certain common control leasing arrangements. Therefore, a private company lessee that meets the eligibility criteria and elects not to apply the VIE guidance would account for its lease as either an operating or capital lease, as appropriate. Management has concluded that Skyros, LLC, and Kimi, LLC, meet the criteria for this exemption and, therefore, have not consolidated the entities into these financial statements. Disclosures required by accounting principles generally accepted in the United States of America with respect to the leasing arrangements can be found in Note J and Note K.

**Note M - Concentration of Credit Risk:**

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and accounts receivables. The Company places its cash with primarily one financial institution. At times, such amounts may be in excess of the FDIC insured limit.

The Company routinely assesses the financial strength of its customers and, as a consequence, believes that its accounts receivable credit risk exposure is limited.

**Note N - Major Customers:**

Three customers accounted for approximately 47% of accounts receivable as of December 31, 2020. Two of those same customers also accounted for approximately 43% of revenues for the year ended December 31, 2020.

**Note O - Prior Period Adjustment:**

During the year ended December 31, 2020, the Company became aware of an error related to unbilled work in process as of January 1, 2020. The effect was an overstatement of unbilled work in process as of this date and, accordingly, an overstatement of retained earnings of \$116,253 as of January 1, 2020.

**KERAMIDA ENVIRONMENTAL, INC.**  
**Notes to Financial Statements**  
**December 31, 2020**

**Note P - Subsequent Events:**

In January 2021, the Company obtained a new line of credit facility that allows for maximum borrowings of \$1,250,00 and matures January 2022 (See Note E).

The Company has evaluated subsequent events through April 1, 2021, the date on which the financial statements were available to be issued.

**KERAMIDA ENVIRONMENTAL, INC.**  
**Schedule I - Detail of Revenues**  
**For the Year Ended December 31, 2020**

		<u>%</u>
Professional fees	\$ 10,947,988	51.3
Outside services and reimbursements	9,981,535	46.8
Coordination fees	309,779	1.5
Equipment usage/rental	<u>93,554</u>	<u>0.4</u>
	<u>\$ 21,332,856</u>	<u>100.0</u>

See independent accountants' review report.

**KERAMIDA ENVIRONMENTAL, INC.**  
**Schedule II - Detail of Reimbursable Expenses**  
**For the Year Ended December 31, 2020**

		<u>%</u>
Subcontractor	\$ 8,778,021	41.1
Travel	716,101	3.4
Equipment rental	118,895	0.6
File search expense	115,643	0.5
Utilities	80,421	0.4
Meals and entertainment	78,201	0.4
Miscellaneous	45,752	0.2
Field supplies	37,101	0.2
Courier expense	9,714	0.0
Copy charges	979	0.0
Equipment repair/maintenance	707	0.0
	<u>\$ 9,981,535</u>	<u>46.8</u>

See independent accountants' review report.



**KERAMIDA ENVIRONMENTAL, INC.**  
**Schedule III - Detail of Field Expenses**  
**For the Year Ended December 31, 2020**

		<u>%</u>
Salaries	\$ 6,990,624	32.8
Payroll taxes	<u>536,657</u>	<u>2.5</u>
	<u><u>\$ 7,527,281</u></u>	<u><u>35.3</u></u>

See independent accountants' review report.

**KERAMIDA ENVIRONMENTAL, INC.**  
**Schedule IV - Detail of Administrative Expenses**  
**For the Year Ended December 31, 2020**

		<u>%</u>
Insurance - health	\$ 457,421	2.1
Salaries and wages	417,832	2.0
Rent expense	327,966	1.5
Insurance - business	232,676	1.1
Professional fees	224,337	1.1
Unreimbursed project expenses	204,131	1.0
Dues, memberships and subscriptions	186,538	0.9
Computer expenses	176,520	0.8
Depreciation	137,274	0.6
Employee training	84,566	0.4
Field supplies	82,702	0.4
Telephone	62,090	0.3
Retirement contributions	56,006	0.3
Auto expense	49,590	0.2
Bank charges	44,190	0.2
Utilities	41,582	0.2
Office supplies	40,763	0.2
Payroll taxes	32,076	0.2
Charitable contributions	31,147	0.2
Equipment repair/maintenance	28,498	0.1
Property taxes	26,041	0.1
Janitorial/office supplies	23,849	0.1
Meals and entertainment	22,466	0.1
Miscellaneous expense	21,294	0.1
Amortization	20,000	0.1
Equipment rental	18,750	0.1
Moving expenses	16,137	0.1
Building repairs and maintenance	12,759	0.1
Medical exams	12,653	0.1
Firm functions	9,509	0.0
Courier expense	8,335	0.0
Tuition reimbursement	6,439	0.0
Travel, parking and mileage	6,013	0.0
Postage	5,456	0.0
Recruiting	4,613	0.0
Other taxes	1,955	0.0
Library expense	1,705	0.0
Copy charges/nonbillable	729	0.0
Floral expense	637	0.0
Temporary labor	375	0.0
Seminars	175	0.0
	<u>\$ 3,137,795</u>	<u>14.7</u>

See independent accountants' review report.

**KERAMIDA ENVIRONMENTAL, INC.**  
**Schedule V - Detail of Marketing Expenses**  
**For the Year Ended December 31, 2020**

		<u>%</u>
Salaries and wages	\$ 145,833	0.7
Seminars and workshops	35,768	0.2
Travel	22,848	0.1
Payroll taxes	11,195	0.1
Meals and entertainment	9,451	0.0
Promotional items	6,691	0.0
General supplies	1,746	0.0
Miscellaneous	1,467	0.0
Advertising	1,118	0.0
Copies - packets	30	0.0
	<u>\$ 236,147</u>	<u>1.1</u>

See independent accountants' review report.

**KERAMIDA ENVIRONMENTAL, INC.**  
**Schedule VI - Detail of Bonuses and Incentives**  
**For the Year Ended December 31, 2020**

		<u>%</u>
Indianapolis compliance	\$ 103,208	0.5
Indianapolis land	91,233	0.4
NiSource	78,012	0.4
Corporate	24,000	0.1
Indianapolis sustainability	19,540	0.1
303 Inspections	16,226	0.1
California	9,300	0.0
Health and safety services	1,746	0.0
	<u>\$ 343,265</u>	<u>1.6</u>

See independent accountants' review report.