

KERAMIDA ENVIRONMENTAL, INC.

FINANCIAL STATEMENTS AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT

December 31, 2021 and 2020



Katz, Sapper & Miller, LLP
Certified Public Accountants

KERAMIDA ENVIRONMENTAL, INC.

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Independent Accountants' Review Report

Board of Directors
Keramida Environmental, Inc.

We have reviewed the accompanying financial statements of Keramida Environmental, Inc., which comprise the balance sheet as of December 31, 2021, and the related statements of income, stockholders' 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 Keramida Environmental, Inc. 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.

We are required to be independent of Keramida Environmental, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying 2021 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

2021 Supplementary Information

The accompanying 2021 supplementary information included in the schedules of contract revenue earned, cost of revenue earned, general and administrative expenses, marketing expenses and bonuses and incentives for the year ended December 31, 2021, is presented for purposes of additional analysis and is not a required part of the 2021 basic financial statements. The 2021 supplementary information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the 2021 financial statements. The 2021 supplementary information has been subjected to the review procedures applied in our review of the 2021 basic financial statements. We are not aware of any material modifications that should be made to the 2021 supplementary information. We have not audited the 2021 supplementary information and do not express an opinion on such information.

Report on 2020 Financial Statements

The financial statements of Keramida Environmental, Inc. as of and for the year ended December 31, 2020, were reviewed by other accountants whose report dated April 1, 2021, stated that based on their procedures, they are not aware of any material modifications that should be made to those financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

2020 Supplementary Information

The accompanying 2020 supplementary information included in the schedules of contract revenue earned, cost of revenue earned, general and administrative expenses, marketing expenses and bonuses and incentives for the year ended December 31, 2020, was subjected to review procedures applied by other accountants whose report dated April 1, 2021, stated that they are not aware of any material modifications that should be made to the 2020 supplementary information and that they have not audited the 2020 supplementary information and do not express an opinion on such information.

Katy, Sapper & Miller, LLP

Indianapolis, Indiana
April 7, 2022

KERAMIDA ENVIRONMENTAL, INC. AND SUBSIDIARIES

BALANCE SHEETS December 31, 2021 and 2020

ASSETS

	2021	2020
CURRENT ASSETS		
Cash	\$ 467,710	\$ 570,944
Accounts receivable - trade, net	4,019,969	3,990,893
Unbilled revenues	524,632	196,697
Prepays and other	329,317	279,458
Total Current Assets	<u>5,341,628</u>	<u>5,037,992</u>
PROPERTY AND EQUIPMENT, net	<u>362,117</u>	<u>389,716</u>
OTHER ASSETS		
Amortizable intangible assets, net	<u>1,666</u>	<u>21,667</u>
Total Other Assets	<u>1,666</u>	<u>21,667</u>
TOTAL ASSETS	<u><u>\$ 5,705,411</u></u>	<u><u>\$ 5,449,375</u></u>

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES		
Accounts payable - trade	\$ 973,031	\$ 1,885,150
Accrued expenses and other	34,435	201,373
Current maturities of long-term debt	<u>227,710</u>	<u>176,651</u>
Total Current Liabilities	<u>1,235,176</u>	<u>2,263,174</u>
STOCKHOLDERS' EQUITY		
Common stock	1,000	1,000
Additional paid-in capital	1,197,041	1,146,091
Retained earnings	3,396,824	2,137,424
Notes receivable from stockholders	<u>(124,630)</u>	<u>(98,314)</u>
Total Stockholders' Equity	<u>4,470,235</u>	<u>3,186,201</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u><u>\$ 5,705,411</u></u>	<u><u>\$ 5,449,375</u></u>

See accompanying notes and accountants' review report.

KERAMIDA ENVIRONMENTAL, INC.
STATEMENTS OF INCOME
Years Ended December 31, 2021 and 2020

	2021	%	2020	%
CONTRACT REVENUE EARNED	\$ 20,223,841	100.00	\$ 21,169,825	100.00
COST OF REVENUE EARNED	<u>14,820,696</u>	<u>73.28</u>	<u>17,533,809</u>	<u>82.82</u>
Gross Profit	5,403,145	26.72	3,636,016	17.18
OPERATING EXPENSES				
General and administrative	3,409,499	16.86	2,974,464	14.05
Marketing	188,080	0.93	236,147	1.12
Bonuses and incentives	<u>539,500</u>	<u>2.67</u>	<u>343,265</u>	<u>1.62</u>
Total Operating Expenses	<u>4,137,079</u>	<u>20.46</u>	<u>3,553,876</u>	<u>16.79</u>
Net Operating Income	<u>1,266,066</u>	<u>6.26</u>	<u>82,140</u>	<u>0.39</u>
OTHER INCOME (EXPENSE)				
Interest expense	(4,250)	(0.02)	(29,754)	(0.14)
PPP loan forgiveness		0.00	1,426,745	6.74
Loss on sales and disposal of property and equipment	(5,542)	(0.03)	(1,651)	(0.01)
Other, net	<u>3,126</u>	<u>0.02</u>	<u>22,026</u>	<u>0.10</u>
Total Other Income (Expense)	<u>(6,666)</u>	<u>(0.03)</u>	<u>1,417,366</u>	<u>6.69</u>
NET INCOME	<u><u>\$ 1,259,400</u></u>	<u><u>6.23</u></u>	<u><u>\$ 1,499,506</u></u>	<u><u>7.08</u></u>

See accompanying notes and accountants' review report.

KERAMIDA ENVIRONMENTAL, INC.
STATEMENTS OF STOCKHOLDERS' EQUITY
Years Ended December 31, 2021 and 2020

	Common Stock	Additional Paid-in Capital	Retained Earnings	Notes Receivable from Stockholders	Total Stockholders' Equity
BALANCE AT DECEMBER 31, 2019	\$ 1,000	\$ 1,121,270	\$ 637,918	\$ (78,666)	\$ 1,681,522
Net income			1,499,506		1,499,506
Issuance of common stock	<u> </u>	<u>24,821</u>	<u> </u>	<u>(19,648)</u>	<u>5,173</u>
BALANCE AT DECEMBER 31, 2020	1,000	1,146,091	2,137,424	(98,314)	3,186,201
Net income			1,259,400		1,259,400
Issuance of common stock		50,950		(47,972)	2,978
Repayments of notes receivable	<u> </u>	<u> </u>	<u> </u>	<u>21,656</u>	<u>21,656</u>
BALANCE AT DECEMBER 31, 2021	<u>\$ 1,000</u>	<u>\$ 1,197,041</u>	<u>\$ 3,396,824</u>	<u>\$ (124,630)</u>	<u>\$ 4,470,235</u>

See accompanying notes and accountants' review report.

KERAMIDA ENVIRONMENTAL, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2021 and 2020

	2021	2020
OPERATING ACTIVITIES		
Net income	\$ 1,259,400	\$ 1,499,506
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation of property and equipment	124,321	137,274
Amortization of intangible assets	20,000	20,000
Forgiveness of PPP loan		(1,426,745)
Loss on sales and disposal of property and equipment	5,542	1,651
(Increase) decrease in certain current assets:		
Accounts receivable - trade	(29,076)	(740,381)
Unbilled revenues	(327,935)	98,306
Prepays and other	(49,859)	86,424
Increase (decrease) in certain current liabilities:		
Accounts payable - trade	(912,119)	301,014
Accrued expenses and other	(166,938)	46,266
Customer deposits		(1,296)
Net Cash Provided (Used) by Operating Activities	<u>(76,664)</u>	<u>22,019</u>
INVESTING ACTIVITIES		
Cash purchases of property and equipment	(123,263)	(71,986)
Proceeds from sales of property and equipment	21,000	
Net Cash Used by Investing Activities	<u>(102,263)</u>	<u>(71,986)</u>
FINANCING ACTIVITIES		
Line of credit payments, net		(540,406)
Proceeds received from PPP loan		1,426,745
Proceeds from notes payable	249,837	
Principal payments on long-term debt	(198,778)	(412,838)
Repayments of notes receivable from stockholders	21,656	
Issuance of common stock, net	2,978	5,173
Net Cash Provided by Financing Activities	<u>75,693</u>	<u>478,674</u>
NET INCREASE (DECREASE) IN CASH	(103,234)	428,707
CASH		
Beginning of Year	<u>570,944</u>	<u>142,237</u>
End of Year	<u>\$ 467,710</u>	<u>\$ 570,944</u>
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	\$ 4,250	\$ 104,338
Noncash financing activities:		
Refinancing of insurance note payable	249,837	189,062
Issuance of notes receivable to stockholders	47,972	19,648
Forgiveness of PPP loan		1,426,745

See accompanying notes and accountants' review report.

KERAMIDA ENVIRONMENTAL, INC.

NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Change in Accounting Principle: In 2021, the Company adopted Accounting Standards Update (ASU) No. 2018-17, *Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities* (ASU No. 2018-17), which provides an accounting alternative for a private company to exempt itself from applying the variable interest entity (VIE) consolidation model to common control arrangements. ASU No. 2018-17 effectively expands the superseded accounting alternative to VIE guidance available for qualifying leasing arrangements to be available for all qualifying common control arrangements. The Company previously used the superseded accounting alternative, and there are no other entities under common control which require consolidation under the VIE consolidation model. Therefore, the adoption of ASU No. 2018-17 did not have a significant impact on the Company's financial statements. The related disclosures in the 2020 financial statements have been adjusted to reflect the retrospective application of ASU No. 2018-17. The Company has a lease arrangement for an office facility in Indianapolis, Indiana, with a related party (Skyros, LLC), which is related through common ownership. Additionally, the Company has a lease arrangement for certain engineering equipment with a related party (Kimi, LLC), which is also related through common ownership. The Company and its majority stockholder have guaranteed the mortgage note payable on Skyros, LLC. See Notes 6 and 9 for related disclosures.

Estimates: Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could vary from those estimates.

Cash is maintained in bank deposit accounts which, at times, may exceed federally insured limits. There have been no losses in such accounts.

Contract Revenue and Cost Recognition: Contracts are generally time and materials or fixed-price contracts, which contain a single performance obligation. Time and material contracts may be structured as basic time and materials, cost plus a margin or time and materials subject to a maximum contract value. Revenue from time and materials is recognized over time, using an input method based on the ratio of actual costs incurred during the period plus a portion of the fee specified in the contract. Revenues from fixed-price contracts are recognized in a similar manner, over time, based on the percentage of costs incurred, total estimated costs, plus an estimated profit margin. These methods are used because management considers contract costs to be the best available measure of progress on these contracts. The majority of the Company's contracts are for consulting projects where it bills the client monthly at hourly billing rates, which are determined by contract terms. The Company has applied the as-invoiced practical expedient to recognize revenue for these services based on the amount it has a right to invoice, which is representative of the value being delivered.

Because of the inherent uncertainties in estimating costs necessary to complete a contract, it is at least reasonably possible that estimates used will change within the near term. Changes in job performance, job conditions, and estimated profitability may result in revisions to costs and revenue and are recognized in the period in which the revisions are determined.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contract costs include all direct labor, reimbursable expenses, subcontractors, and other indirect costs related to contract performance. General and administrative costs are charged to expense as incurred. A provision for estimated losses on uncompleted contracts is made in the period in which such losses are determined.

Receivables and Credit Policies: Accounts receivable are uncollateralized customer obligations due under contract terms which generally are due in 30 days. Accounts receivable are stated at the amount billed to the customer. Customer invoices not paid by the due date per the contract terms are considered past due. The Company does not accrue interest on past due accounts. Payments received are allocated to the specific invoices identified on the customer's remittance advice.

The carrying amount of accounts receivable is reduced by an allowance that reflects management's best estimate of the amounts that will not be collected based on historical credit losses and an assessment of the customers' current creditworthiness.

At December 31, 2021, 2020, and 2019, the Company's trade accounts receivable totaled \$4,019,969, \$3,990,893, and \$3,250,512, respectively, net of allowance for doubtful accounts for trade accounts receivable of \$130,000 at December 31, 2021, 2020, and 2019, respectively.

Accounts receivable from one customer represented approximately 15% of the Company's total accounts receivable at December 31, 2021. Accounts receivable from three customers represented approximately 47% of the Company's total accounts receivable at December 31, 2020.

Revenue from two customers represented approximately 47% of the Company's total revenue in 2021. Revenue from two customers represented approximately 43% of the Company's total revenue in 2020.

Unbilled Revenues consist of costs and estimated earnings in excess of billings on contracts in process. Contract assets are generally classified as current. At December 31, 2021, 2020, and 2019, the Company's unbilled revenues totaled \$524,632, \$196,697, and \$295,003, respectively.

Property and Equipment are recorded at cost. Depreciation is calculated using the straight-line method over the estimated economic useful lives of the assets, ranging from 3 to 39 years.

Amortizable Intangible Assets include a noncompete agreement and a customer list acquired in a business combination and are recorded at fair value. The noncompete agreement and customer list are being amortized on a straight-line basis over a 5-year period through 2022.

Long-lived Assets, including the Company's property and equipment and amortizable intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparison of the carrying amount to future net undiscounted cash flows expected to be generated by the related asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount exceeds the fair market value of the assets. No adjustments to the carrying amount of these long-lived assets were required for 2021 and 2020.

Income Taxes: The Company, with the consent of its stockholders, has elected under the Internal Revenue Code to be taxed as an S corporation. The stockholders of an S corporation are taxed directly on their proportionate share of the Company's income or loss. These elections are also valid for the various states in which the Company files state income tax returns. Therefore, there is no provision or liability for income taxes reflected in the financial statements. Certain specific deductions and credits flow through the Company to its stockholders.

The Company files U.S. federal and various state income tax returns. The Company is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2018.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Upcoming Accounting Pronouncement: The Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases (Topic 842)* (ASU No. 2016-02), which is the result of a joint project of the FASB and the International Accounting Standards Board to increase transparency and comparability among entities in relation to leasing arrangements. ASU No. 2016-02 adds Topic 842 to the Accounting Standards Codification and requires a lessee to recognize a liability to make lease payments (lease liability) and a right-of-use asset representing its right to use the underlying asset (lease asset) for the lease term, initially measured at the present value of the lease payments. When measuring the lease asset and liability, lessees should include payments to be made during an optional lease extension if reasonably certain that the option will be exercised. Entities are permitted to make an accounting policy election to not recognize lease assets and liabilities for leases with a term of 12 months or less. ASU No. 2016-02, as amended, is effective for the Company as of January 1, 2022. Early application is permitted. The Company is assessing the impact ASU No. 2016-02 will have on its financial statements, including the related disclosures.

Reclassifications: Certain amounts in the 2020 financial statements have been reclassified to conform to the presentation of the 2021 financial statements.

Subsequent Events: Management has evaluated the financial statements for subsequent events occurring through April 7, 2022, the date the financial statements were available to be issued. See Notes 4 and 7.

NOTE 2 - PROPERTY AND EQUIPMENT

At December 31, 2021 and 2020, property and equipment were comprised of the following:

	2021	2020
Machinery and equipment	\$ 511,810	\$ 434,334
Office furniture and equipment	167,707	164,130
Vehicles	295,186	310,467
Leasehold improvements	183,417	183,417
Software	<u>263,342</u>	<u>263,342</u>
	1,421,462	1,355,690
Less: Accumulated depreciation	<u>(1,059,345)</u>	<u>(965,974)</u>
Total Property and Equipment, net	<u>\$ 362,117</u>	<u>\$ 389,716</u>

NOTE 3 - AMORTIZABLE INTANGIBLE ASSETS

At December 31, 2021 and 2020, amortizable intangible assets were comprised of the following:

	Gross Amount	2021 Accumulated Amortization	Net	Gross Amount	2020 Accumulated Amortization	Net
Noncompete	\$ 10,000	\$ 9,834	\$ 166	\$ 10,000	\$ 7,833	\$ 2,167
Customer list	<u>90,000</u>	<u>88,500</u>	<u>1,500</u>	<u>90,000</u>	<u>70,500</u>	<u>19,500</u>
	<u>\$100,000</u>	<u>\$98,334</u>	<u>\$1,666</u>	<u>\$100,000</u>	<u>\$78,333</u>	<u>\$21,667</u>

The estimated amortization expense related to these amortizable intangible assets is \$1,666 in 2022.

NOTE 4 - DEBT AND CREDIT ARRANGEMENTS

In January 2021, the Company entered into a revolving line of credit agreement which provides for maximum aggregate borrowings of \$1,250,000, with interest computed at the bank's prime rate plus .25% (3.50% at December 31, 2021). There were no borrowings outstanding on the line of credit at December 31, 2021. The line of credit is secured by substantially all assets of the Company and requires the Company to maintain certain financial and nonfinancial covenants.

The previous revolving line of credit agreement provided for maximum aggregate borrowings of \$1,100,000 with interest computed at LIBOR, as defined, plus 2.55%. The line of credit expired in June 2020.

In January 2022, the Company extended and modified the revolving line of credit, increasing maximum aggregate borrowings to \$2,750,000 with interest computed at the bank's prime rate. The line of credit is subject to renewal in January 2024.

In April 2020, the Company received loan proceeds of \$1,426,745 under the Paycheck Protection Program (PPP) established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). PPP loans, including accrued interest, are forgivable as long as the entity uses the proceeds for eligible purposes, including payroll, benefits, rent and utilities. Under the PPP, the amount of forgiveness is reduced if the entity terminates employees or reduces salaries during the covered period. The Company believes it used the proceeds for purposes consistent with the PPP and has received forgiveness from the bank. The Company recognized a gain on loan forgiveness as other income upon legal release of the obligation by the bank in November 2020.

At December 31, 2021 and 2020, long-term debt consisted of the following:

	2021	2020
Insurance note payable in monthly installments of \$17,793, plus interest computed at 6.98%. Repaid in October 2021.		\$ 155,578
Insurance note payable in monthly installments of \$23,428, plus interest computed at 6.25%, through maturity in October 2022.	\$ 227,710	
Vehicle notes payable in monthly installments of \$2,709, including interest computed at rates ranging from 3.39% to 8.39%. Repaid in 2021.		13,806
Capital lease obligation payable in monthly installments of \$946, including interest imputed at 10.93%. Repaid in 2021.		7,267
	227,710	176,651
Less: Current maturities	(227,710)	(176,651)
Total Long-term Debt, net	\$ -	\$ -

NOTE 5 - RETIREMENT SAVINGS PLAN

The Company sponsors a 401(k) plan for the benefit of substantially all of the Company's employees. Pursuant to the Plan, participants may elect to contribute a portion of their compensation to the Plan subject to certain annual limitations prescribed by the Internal Revenue Code. The Plan provides for discretionary matching contributions. The Company made matching contributions to the Plan of \$66,124 in 2021 and \$56,006 in 2020.

NOTE 6 - RELATED PARTY TRANSACTIONS

The Company issued common shares to certain employees in exchange for notes receivable (see Note 7), which totaled \$124,630 and \$98,314 at December 31, 2021 and 2020, respectively. The notes are unsecured and accrue interest at the Applicable Federal Rate (AFR) at the time of execution, as defined by Internal Revenue Code Section 1274(d). The notes are payable in five annual installments and are due at various maturity dates through July 2026.

The Company has a lease arrangement for an office facility in Indianapolis, Indiana with a related party (Skyros, LLC), which is related through common ownership. The lease term expires in December 2022 and requires monthly payments of \$21,000. The lease includes an option to renew the lease for an additional three years through December 2025. The leased property has a net book value of \$3,250,000 and an outstanding mortgage note payable of \$574,365 at December 31, 2021. The mortgage note is payable in monthly installments of \$4,522, including interest computed at the 3.75%. A balloon payment of all remaining principal and accrued interest is due in January 2026, the maturity date of the mortgage note. The mortgage note is guaranteed by the Company and its majority shareholder.

The Company has a lease arrangement for certain engineering equipment with a related party (Kimi, LLC), which is related through common ownership. The lease is based on daily rental rates charged to the Company. Equipment lease expense totaled \$24,325 and \$15,750 for the years ended December 31, 2021 and 2020, respectively.

NOTE 7 - COMMON STOCK

The common stock of the Company was comprised of the following no par value shares at December 31, 2021 and 2020:

	2021	2020
Authorized	10,000	10,000
Issued and outstanding	5,382	5,170

During the year ended December 31, 2021, the Company issued an additional 212 shares of common stock valued at \$50,950.

During the year ended December 31, 2020, the Company issued an additional 100 shares of common stock valued at \$24,821.

Effective February 28, 2022, the Company repurchased 135 shares of common stock from one of the stockholders. The repurchase totaled \$92,259, which was comprised of \$75,274 of cash and a reduction of the stockholder's note receivable balance of \$16,985.

NOTE 8 - STOCK OPTION PLAN

The Company has established the Keramida Environmental, Inc. Stock Incentive Plan (the Stock Incentive Plan).

The Stock Incentive Plan includes an employee incentive stock option plan for which 5,920 shares of its common stock were authorized and reserved for issuance under the Stock Incentive Plan. The Stock Incentive Plan is available to key management employees as determined by the Board of Directors. The Stock Incentive Plan allows the holder of the option to purchase common stock at the exercise price, which is the estimated fair value of the Company's common stock on the date of grant. Common options under the Stock Incentive Plan expire 12 months from the date of grant.

NOTE 8 - STOCK OPTION PLAN (CONTINUED)

The Company's stock option plan activity and related information are summarized as follows:

Options outstanding December 31, 2020	680
Options granted	-
Options exercised	(212)
Options forfeited	<u>(468)</u>
Options outstanding December 31, 2021	<u>-</u>

The Company did not recognize any stock-based compensation costs during the years ended December 31, 2021 and 2020.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Lease Commitments: The Company leases office space pursuant to long-term noncancellable operating leases, which expire at various dates through January 2024. Certain facilities and engineering equipment are leased with related parties (see Note 6). The Company also leases equipment under month-to-month operating leases. Total rent expense relating to all operating leases was \$1,228,596 in 2021 and \$1,101,008 in 2020, of which \$252,000 was paid to related parties.

At December 31, 2021, the future minimum rental payments required by all long-term noncancellable operating leases were as follows:

Payable In	Related Parties	Other	Total Rental Payments
2022	\$252,000	\$32,301	\$284,301
2023		33,271	33,271
2024		<u>2,779</u>	<u>2,779</u>
	<u>\$252,000</u>	<u>\$68,351</u>	<u>\$320,351</u>

General Claims and Assessments: In the course of normal operations, the Company is subject to various claims and assessments and potential litigation. The range of loss, if any, from these potential claims cannot be reasonably estimated. However, management believes the ultimate resolution of these matters will not have a material adverse impact on the Company's business or financial position.

SUPPLEMENTARY INFORMATION

KERAMIDA ENVIRONMENTAL, INC.

SCHEDULES OF CONTRACT REVENUE EARNED
Years Ended December 31, 2021 and 2020

	2021	2020
Professional fees	\$ 14,066,297	\$ 10,781,017
Outside services and reimbursements	5,765,336	9,985,475
Coordination fees	218,435	309,779
Equipment usage and rental	<u>173,773</u>	<u>93,554</u>
TOTAL CONTRACT REVENUE EARNED	<u>\$ 20,223,841</u>	<u>\$ 21,169,825</u>

See accompanying notes and accountants' review report.

KERAMIDA ENVIRONMENTAL, INC.
SCHEDULES OF COST OF REVENUE EARNED
Years Ended December 31, 2021 and 2020

	2021	2020
Salaries	\$ 8,046,680	\$ 6,990,624
Subcontractor	4,718,844	8,802,359
Payroll taxes	644,879	536,657
Travel	945,920	716,748
Equipment rental	118,634	118,895
File search expense	119,729	115,643
Utilities	26,787	80,421
Meals and entertainment	66,705	78,201
Miscellaneous	30,080	24,508
Field supplies	79,540	58,353
Courier expense	14,250	9,714
Copy charges	737	979
Equipment repairs and maintenance	7,911	707
TOTAL COST OF REVENUE EARNED	<u>\$ 14,820,696</u>	<u>\$ 17,533,809</u>

See accompanying notes and accountants' review report.

KERAMIDA ENVIRONMENTAL, INC.

SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES
Years Ended December 31, 2021 and 2020

	2021	2020
Insurance - health	\$ 501,947	\$ 457,421
Salaries and wages	418,337	417,832
Rent expense	275,272	327,966
Insurance - business	299,128	232,676
Professional fees	276,328	224,337
Unreimbursed project expenses		10,000
Dues, memberships and subscriptions	238,575	186,538
Computer expenses	188,051	176,520
Depreciation	124,321	137,274
Employee training	82,258	84,566
Field supplies	98,626	82,702
Telephone	88,851	62,090
Retirement contributions	66,124	56,006
Auto expense	71,152	49,642
Bank charges	35,790	44,190
Utilities	40,866	41,707
Office supplies	52,942	40,763
Payroll taxes	33,527	32,076
Charitable contributions	57,478	31,147
Equipment repairs and maintenance	37,249	28,498
Property taxes	29,089	26,041
Janitorial and office supplies	21,887	23,849
Meals and entertainment	24,219	22,466
Miscellaneous expense	70,570	21,297
Amortization	20,000	20,000
Equipment rental	22,384	24,064
Moving expenses	12,863	16,137
Building repairs and maintenance	24,079	12,759
Medical exams	20,228	12,653
Firm functions	1,847	9,509
Courier expense	4,947	8,335
Tuition reimbursement	27,091	6,439
Travel, parking and mileage	50,253	6,013
Postage	5,209	6,069
Recruiting	18,905	4,613
Other taxes	9,489	1,955
Library expense	1,319	1,705
Copy charges and nonbillable expenses		729
Floral expense	2,059	637
Temporary labor	1,345	375
Bad debt expense	54,799	24,693
Seminars	95	175
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	\$ 3,409,499	\$ 2,974,464

See accompanying notes and accountants' review report.

KERAMIDA ENVIRONMENTAL, INC.
SCHEDULES OF MARKETING EXPENSES
Years Ended December 31, 2021 and 2020

	2021	2020
Salaries and wages	\$ 115,000	\$ 145,833
Seminars and workshops	21,840	35,768
Travel	6,178	22,848
Payroll taxes	9,216	11,195
Meals and entertainment	14,009	9,451
Promotional items	17,487	6,691
General supplies		1,746
Miscellaneous	240	1,467
Advertising	3,988	1,118
Copies - packets	122	30
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TOTAL MARKETING EXPENSES	\$ 188,080	\$ 236,147
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See accompanying notes and accountants' review report.

KERAMIDA ENVIRONMENTAL, INC.

SCHEDULES OF BONUSES AND INCENTIVES Years Ended December 31, 2021 and 2020

	2021	2020
Indianapolis compliance	\$ 153,500	\$ 103,208
Indianapolis land	123,250	91,233
NiSource	119,500	78,012
Corporate	58,000	24,000
Indianapolis sustainability	14,500	19,540
303 Inspections	17,250	16,226
California	27,500	9,300
Health and safety services	26,000	1,746
TOTAL BONUSES AND INCENTIVES	\$ 539,500	\$ 343,265

See accompanying notes and accountants' review report.