SET Environmental, Inc. and Subsidiaries

Independent Auditor's Report and Consolidated Financial Statements

December 31, 2019 and 2018

BKD
CPAs & Advisors

SET Environmental, Inc. and Subsidiaries
December 31, 2019 and 2018

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CPAs & Advisors

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Independent Auditor's Report

Boards of Directors
SET Environmental, Inc.
and Subsidiaries
Wheeling, Illinois

We have audited the accompanying consolidated financial statements of SET Environmental, Inc. and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2019 and 1899, and the related consolidated statements of comprehensive income, equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SET Environmental, Inc. and Subsidiaries as of December 31, 2019 and 1899, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the consolidated financial statements, in 2019, the entity adopted new accounting guidance regarding recognition of revenue with customers. Our opinion is not modified with respect to this matter.

BKD, LLP

Oakbrook Terrace, Illinois
April 28, 2020

SET Environmental, Inc. and Subsidiaries
Consolidated Balance Sheets
December 31, 2019 and 2018

Assets

	2019	2018
Current Assets		
Cash and cash equivalents		
(VIEs - 2019 $373; 2018 $1,053)	$ 1,316,337	$ 6,781,514
Accounts receivable, net of allowance for doubtful accounts of $511,278 and $806,426 at December 31, 2019 and 2018, respectively	35,114,381	26,673,411
Shareholder advance	-	2,330,000
Prepaid expenses and other current assets	1,213,582	656,316
Marketable securities	303,406	261,606
Total current assets	37,947,706	36,702,847
Property, Plant and Equipment, Net		
(VIEs - 2019 $5,132,938; 2018 $5,221,771)	15,912,780	14,714,311
Other Assets		
Intangible assets and loan costs, net	296,053	384,550
Goodwill, net	7,790,702	2,688,297
Other assets	688,689	674,067
Total other assets	8,775,444	3,746,914
	$ 62,635,930	$ 55,164,072

Liabilities and Equity

	2019	2018
Current Liabilities		
Current portion of long-term debt		
(VIEs - 2019 $434,494; 2018 $931,373)	$ 2,365,437	$ 2,768,067
Accounts payable	4,530,250	2,803,997
Accrued expenses (VIEs - 2019 $51,331; 2018 $5,000)	8,584,948	7,117,407
Income taxes payable	131,678	251,389
Total current liabilities	15,612,313	12,940,860
Noncurrent Liabilities		
Long-term debt		
(VIEs - 2019 $1,899,125; 2018 $1,812,695)	6,299,361	5,942,545
Deferred income taxes	258,000	194,000
	6,557,361	6,136,545
Total liabilities	22,169,674	19,077,405
Equity		
SET Environmental, Inc. shareholders' equity		
Common stock	320,540	320,540
Additional paid-in capital	460,941	460,941
Retained earnings	37,277,198	33,166,822
Accumulated other comprehensive income	-	392
Treasury stock	(314,500)	(314,500)
Total SET Environmental, Inc. shareholders' equity	37,744,179	33,634,195
Noncontrolling interests	2,722,077	2,452,472
Total equity	40,466,256	36,086,667
	$ 62,635,930	$ 55,164,072

SET Environmental, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income

Years Ended December 31, 2019 and 2018

	2019	2018
Revenues		
HazMat cleanup	$ 88,389,123	$ 72,779,355
Waste transportation	23,571,320	25,580,860
Gas cylinder treatment	5,559,104	6,307,358
Waste treatment	5,973,385	5,397,626
Disposal	5,164,401	3,684,099
Other	1,766,755	894,229
Total revenues	130,424,088	114,643,527
Operating Expenses		
Payroll and benefits	59,218,833	49,147,756
General and administrative	23,015,582	19,410,192
Waste disposal	19,846,645	13,973,586
Transportation	9,398,486	13,949,491
Supplies	5,684,505	4,838,173
Other	440,135	1,030,675
Total operating expenses	117,604,186	102,349,873
Income From Operations	12,819,902	12,293,654
Other Income (Expense)		
Interest income	-	6,597
Interest expense	(421,767)	(452,236)
Dividend income	8,046	7,445
Unrealized gain on securities	37,163	-
Loss on sale of assets	(26,487)	-
Other, net	696,409	661,117
Total other income	293,364	222,923
Income Before Income Taxes	13,113,266	12,516,577
Income Tax Expense	240,738	299,280
Net Income	12,872,528	12,217,297
Other Comprehensive Income Net of Tax		
Unrealized loss on securities	-	(29,080)
Comprehensive Income	12,872,528	12,188,217
Less net income attributable to noncontrolling interests	645,126	608,675
Comprehensive Income Attributable to SET Environmental, Inc.	$ 12,227,402	$ 11,579,542

SET Environmental, Inc. and Subsidiaries

Consolidated Statements of Equity

Years Ended December 31, 2019 and 2018

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)
Balance, December 31, 2017	$ 320,540	$ 460,941	$ 27,546,223	$ 29,472
Net income	-	-	11,608,622	-
Other comprehensive income	-	-	-	(29,080)
Distributions	-	-	(5,988,023)	-
Balance, December 31, 2018	320,540	460,941	33,166,822	392
Net income	-	-	12,227,402	-
Cumulative effect on prior years of change in accounting principle - see Note 2	-	-	392	(392)
Distributions	-	-	(8,117,418)	-
Balance, December 31, 2019	$ 320,540	$ 460,941	$ 37,277,198	$ -

See Notes to Consolidated Financial Statements

Treasury Stock	Total SET Environmental, Inc. Shareholders' Equity	Noncontrolling Interests	Total Equity
$ (314,500)	$ 28,042,676	$ 2,208,186	$ 30,250,862
-	11,608,622	608,675	12,217,297
-	(29,080)	-	(29,080)
-	(5,988,023)	(364,389)	(6,352,412)
(314,500)	33,634,195	2,452,472	36,086,667
-	12,227,402	645,126	12,872,528
-	-	-	-
-	(8,117,418)	(375,521)	(8,492,939)
$ (314,500)	$ 37,744,179	$ 2,722,077	$ 40,466,256

SET Environmental, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
Operating Activities		
Net income	$ 12,872,528	$ 12,217,297
Items not providing (requiring) cash		
Depreciation and amortization	3,186,446	3,032,595
Gain on disposal of property, plant and equipment	(26,486)	(16,718)
(Gain) loss on disposal of marketable securities	(3,486)	58,016
Unrealized gain on marketable securities	(37,163)	-
Increase in allowance for doubtful accounts	263,627	263,627
Deferred income taxes	64,000	2,000
Changes in		
Accounts receivable	(8,704,597)	869,122
Prepaid expenses and other current assets	(557,266)	260,535
Other assets	(14,622)	(6,341)
Accounts payable	1,726,253	(2,429,782)
Accrued expenses	1,246,541	461,880
Income taxes payable	(119,711)	94,387
Net cash provided by operating activities	9,896,064	14,806,618
Investing Activities		
Shareholder (advances) repayments	2,330,000	(2,330,000)
Proceeds from sale of marketable securities	116,330	279,536
Acquisition of marketable securities	(117,481)	(91,973)
Proceeds from disposition of property, plant and equipment	403,369	38,660
Cash paid for acquisition of Environmental Remediation Services, Inc.	(6,838,000)	-
Cash paid for acquisition of Advanced Rescue & Safety, LLC	(761,465)	-
Acquisition of property, plant and equipment	(1,955,241)	(760,611)
Net cash used in investing activities	(6,822,488)	(2,864,388)
Financing Activities		
Borrowings on line of credit	2,500,000	2,000,000
Payments on line of credit	(2,500,000)	(2,000,000)
Borrowings on long-term debt	2,401,452	-
Payments on long-term debt	(2,447,266)	(2,449,625)
Distributions paid to noncontrolling interests	(375,521)	(364,389)
Distributions paid	(8,117,418)	(5,988,023)
Net cash used in financing activities	(8,538,753)	(8,802,037)

SET Environmental, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
Net Increase (Decrease) in Cash and Cash Equivalents	$ (5,465,177)	$ 3,140,193
Cash and Cash Equivalents, Beginning of Year	6,781,514	3,641,321
Cash and Cash Equivalents, End of Year	$ 1,316,337	$ 6,781,514

	2019	2018
Supplemental Cash Flows Information		
Interest paid	$ 421,767	$ 452,236
Income taxes paid	$ 360,449	$ 202,893
Property, plant and equipment acquired through issuance of debt	$ -	$ 1,500,186
The Company purchased certain assets of Environmental Remediation Services, Inc. for $6,838,000. In conjunction with the acquisition, liabilities were assumed as follows:		
Fair values of assets acquired	$ 6,838,000	$ -
Cash paid for the business	6,838,000	-
Liabilites assumed	$ -	$ -
The Company purchased certain assets of Advanced Rescue & Safety, LLC for $982,465. In conjunction with the acquisition, liabilities were assumed as follows		
Fair values of assets acquired	$ 982,465	$ -
Cash paid for the business	761,465	-
Fair value of contingent consideration	221,000	-
Liabilites assumed	$ -	$ -

Note 1: Nature of Operations

The consolidated companies of SET Environmental, Inc. and Subsidiaries (Companies) include SET Environmental, Inc.; SET Environmental of Oklahoma, Inc.; Valley City Disposal, Inc.; SET Industrial Services, Inc. and SET Engineering, LLC, together referred to as (SET); Onsite Technologies, Inc. (Onsite); T&D Holdings, LP (T&D); T&D Holdings Missouri, LLC (T&D Missouri); T&D Holdings Michigan, LLC (T&D Michigan) and T&D Holdings VI, LLC (T&D VI). Operations of the Companies are as follows:

SET Environmental, Inc.

SET Environmental, Inc. (Environmental) is incorporated in Illinois and conducts business from facilities in Illinois, Indiana, Missouri, Texas and Ohio. Environmental is engaged in the business of environmental cleanup projects and chemical waste disposal. Environmental's services are marketed and sold nationally and include, but are not limited to, identification of unknowns, laboratory waste disposal, emergency spill response, field surveys, remediation, underground storage tank removals, industrial cleanup and transportation of waste chemicals. Environmental has a facility in Houston, Texas that received its final Part B permit from the United States Environmental Protection Agency that allows for storage, treatment and recycling of a broad range of chemicals.

SET Environmental of Oklahoma, Inc.

SET Environmental of Oklahoma, Inc. (Oklahoma) is incorporated and conducts business in Oklahoma. Oklahoma is in the business of environmental cleanup projects.

Valley City Disposal, Inc.

Valley City Disposal, Inc. (Valley City) is incorporated and conducts business in Michigan and Ohio. Valley is in the business of environmental cleanup projects.

SET Engineering, LLC

SET Engineering, LLC (Engineering) was incorporated on March 30, 2016, and conducts business in Wisconsin. Engineering is in the business of civil and environmental engineering consulting services.

SET Industrial Services, Inc.

SET Industrial Services, Inc. (Industrial) is incorporated and conducts business in Illinois. Industrial is in the business of environmental cleanup projects.

Onsite Technologies, Inc.

Onsite Technologies, Inc. (Onsite) is incorporated and conducts business in Illinois. Onsite is in the business of environmental cleanup projects.

T&D Holdings, LP

T&D Holdings, LP (T&D) is a Texas limited partnership that owns and leases its land and buildings in Dallas, Texas and Houston, Texas to Environmental and Oklahoma City, Oklahoma to Oklahoma. Additionally, a property is owned in Florida.

T&D Holdings Missouri, LLC

T&D Holdings Missouri, LLC (T&D Missouri) is an Illinois limited partnership that owns and leases its land and buildings in Overland, Missouri and Mooresville, Indiana to Environmental.

T&D Holdings Michigan, LLC

T&D Holdings Michigan, LLC (T&D Michigan) is an Illinois limited partnership that owns and leases its land and building in Grand Rapids, Michigan to Valley City.

T&D Holdings VI, LLC

T&D Holdings VI, LLC (T&D VI) is an Illinois limited partnership that owns and leases its land and building in Houston, Texas to Environmental and Portage, Michigan to Environmental.

Environmental and Industrial are owned identically by their common shareholders. Oklahoma and Valley City are wholly owned subsidiaries of Environmental. Onsite is owned 100% by one of the shareholders of Environmental and Industrial. T&D is owned equally by two shareholders and an officer of Environmental and Industrial. T&D Missouri is owned by one shareholder, an officer and two employees of Environmental. T&D Michigan is owned by one shareholder, an officer and one employee of Environmental. T&D VI is owned by an officer and five employees of Environmental.

Note 2: Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the consolidated accounts of SET Environmental, Inc. and its subsidiaries; SET Environmental of Oklahoma, Inc. and Valley City Disposal, Inc. Additionally, the accounts of SET Industrial Services, Inc.; Onsite Technologies, Inc.; T&D Holdings, LP; T&D Holdings Missouri, LLC; T&D Holdings Michigan, LLC and T&D Holdings VI, LLC are consolidated as they represent certain variable interest entities (VIEs) (Note 18) in which Environmental is considered to be the primary beneficiary. All significant intercompany accounts and transactions have been eliminated is consolidation.

The noncontrolling interests in Onsite, T&D, T&D Missouri, T&D Michigan, T&D VI and SET Industrial Services, Inc. are classified as a separate component of equity on the consolidated balance sheets.

Variable Interest Entities

A legal entity is referred to as a variable interest entity (VIE) if any of the following conditions exist: (1) the total equity investment at risk is insufficient to permit the legal entity to finance its activities without additional subordinated financial support from other parties or (2) the entity has equity investors who cannot make significant decisions about the entity's operations or who do not absorb their proportionate share of the expected losses or receive the expected returns of the entity.

A VIE's primary beneficiary is the entity that has the power to direct the VIE's significant activities and has an obligation to absorb losses or the right to receive benefits that could be potentially significant to the VIE.

The VIE must be consolidated by the Company if it is deemed to be the primary beneficiary of the VIE.

The Company monitors the consolidated VIEs to determine if any reconsideration events have occurred that could cause any of them to no longer be a VIE. The Company reconsiders whether it is the primary beneficiary of a VIE on an ongoing basis. A previously consolidated VIE is deconsolidated when the Company ceases to be the primary beneficiary or the entity is no longer a VIE.

Onsite, Industrial, T&D, T&D Missouri, T&D Michigan and T&D VI are VIEs of the Companies because of leasing arrangements or because they require financial support consisting of long-term debt guarantees. See Note 18 for additional information regarding the Companies' consolidated VIEs.

Comprehensive Income and Change in Accounting Principle

Comprehensive income for 2018 consisted of net income and other comprehensive income (loss), net of applicable income taxes. Changes in certain assets and liabilities, such as changes in unrealized investment gains (losses) on available-for-sale securities, were reported as components of comprehensive income. Accumulated other comprehensive income was also recognized on the consolidated balance sheet within the equity section.

In 2019, the Companies changed its accounting policy on financial assets and liabilities by adopting the provisions of Accounting Standards Update (ASU) 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. The new accounting guidance in ASU 2016-01 requires companies to recognize changes in fair value of equity investments through net income. The change was applied through a cumulative-effect adjustment to current year's beginning retained earnings. As a result, accumulated other comprehensive income of $392 was reclassified to retained earnings in 2019 on the consolidated statement of equity.

Cost and Revenue Recognition

Revenue is recognized as the related services are rendered to customers. Due to the time between receipt and disposal of waste, the Companies accrue for the estimated waste disposal costs at the time waste is received from customers; thus, matching these costs to the period in which the related revenues are recorded.

In 2019, upon adoption of ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, revenue is recognized when control of the promised service is transferred to the Companies' customers, in an amount that reflects the consideration that it expects to be entitled to in exchange for those services. The amount and timing of revenue recognition varies based on the nature of the services provided and the terms and conditions of the customer contract. Due to the time between receipt and disposal of waste, the Companies accrue for the estimated waste disposal costs at the time waste is received from customers; thus, matching these costs to the period in which the related revenues are recorded. See Note 3 for additional information about the Companies' revenue.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and short-term investments with original maturities of three months or less at the date of acquisition.

Accounts Receivable

Accounts receivable are stated at the amount of consideration from customers of which the Companies have an unconditional right to receive. The Companies provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

During the years ended December 31, 2019 and 2018, there were no impairment losses on doubtful accounts receivable, where collectability is not reasonably assured.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Provisions for depreciation and amortization of property, plant and equipment are computed primarily under the straight-line method over the estimated useful lives of the assets (or, for building improvements on leased property, the lease term, if shorter), as follows:

Buildings and improvements	5 - 39 years
Machinery and equipment	1 - 7 years
Furniture and fixtures	3 - 7 years
Transportation vehicles	3 - 7 years

Intangible Assets and Loan Costs

Intangible assets and loan costs are amortized on the straight-line method over the following useful lives:

Part B permit	10 years
Customer lists	10 - 15 years
Loan costs	Life of loan
Noncompete agreement	4 years

Intangible assets are periodically evaluated as to the recoverability of their carrying values.

Goodwill

The Companies have elected the private company accounting alternative for the subsequent measurement of goodwill. Under this alternative, goodwill is amortized on a straight-line basis over 10 years. The Companies evaluate the recoverability of the carrying value of goodwill at the entity level whenever events or circumstances indicate the carrying amount may not be recoverable.

In testing goodwill for impairment, the Companies have the option first to perform a qualitative assessment to determine whether it is more likely than not that the goodwill is impaired or the Companies can bypass the qualitative assessment and proceed directly to the quantitative test by comparing the carrying amount, including goodwill, of the entity with its fair value. The goodwill impairment loss, if any, is measured as the amount by which the carrying amount of an entity, including goodwill, exceeds its fair value. Subsequent increases in goodwill value are not recognized in the consolidated financial statements.

The Companies have elected the private company accounting alternative for identifying intangible assets in a business combination. Under this alternative, certain customer-related intangible assets and noncompetition agreements are no longer required to be separately recognized in the accounting for a business combination.

Impairment of Long-Lived Assets

The Companies evaluate the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the assets is less than the carrying amount of the asset, the asset cost is adjusted to fair value and impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended December 31, 2019 and 2018.

Income Taxes

Environmental, Oklahoma, Valley City, Industrial and Onsite, with the consent of their stockholders, have elected under the Internal Revenue Code to be S corporations. In lieu of corporation income taxes, the stockholders of an S corporation are taxed on their proportionate share of taxable income. Therefore, no provision or liability for federal income taxes has been included in these consolidated financial statements. These entities are subject to certain state income taxes.

T&D, T&D Missouri, T&D Michigan and T&D VI are limited partnerships. As a limited partnership, the partners are taxed on their proportionate share of taxable income. Therefore, no provision or liability for federal income taxes has been included in these consolidated financial statements. Each partnership is subject to certain state income taxes.

The Companies recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. The Companies file income tax returns in the U.S. federal jurisdiction and various state jurisdictions.

Deferred Income Taxes

Deferred income taxes arise from temporary differences resulting from income and expense items reported for financial accounting and tax purposes in different periods. Deferred taxes are classified as current or noncurrent, depending on the classification of the assets and liabilities to which they relate. Deferred taxes arising from temporary differences that are not related to an asset or liability are classified as current or noncurrent depending on the periods in which the temporary differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

Use of Estimates

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

Marketable Securities

In 2018, marketable securities were classified as available-for-sale and are carried at fair value, with the unrealized gains and losses included in the determination of other comprehensive income.

In 2019, marketable securities are measured at fair value with changes recognized in net income.

Concentration of Credit Risk

The Companies routinely maintain balances in bank accounts in excess of federally insured limits. The Companies have not experienced any losses in such accounts and management believes there is no significant concentration of credit risk with respect to these accounts. At December 31, 2019, the balances of these accounts in excess of federally insured limits were approximately $4,700,000.

Note 3: Revenue From Contracts With Customers

Change in Accounting Principle

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, that replaces existing revenue recognition guidance. The new standard requires companies to recognize revenue in a way that depicts 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. In addition, Topic 606 requires disclosures of the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Companies adopted this standard on January 1, 2019, using a modified retrospective approach with the cumulative effect of initially applying the new standard recognized in members' equity at the beginning of the year of adoption. Comparative prior period information has not been adjusted and continues to be reported in accordance with previous revenue recognition guidance in ASC Topic 605 – *Revenue Recognition*. The Companies have applied the new standard to all contracts not complete at the date of adoption.

The Companies' adoption of Topic 606 did not result in a change to the timing of revenue recognition.

Performance Obligations

Revenue is measured as the amount of consideration the Companies expects to receive in exchange for providing services to customers. The Companies' revenue consists substantially of environmental cleanup projects and chemical waste disposal. The Companies recognize revenue over time when performance obligations under the terms of contracts with its customers are satisfied and services are provided. For a majority of the Companies' contracts, this occurs on a weekly basis when a customer obtains legal title, obtains the risks and rewards of ownership, has received the services according to the contractual and is obligated to pay for the service.

The Companies' revenue is reported net of incentives offered to customers. Incentives are reported net within revenue when the related cash payments are received.

The Companies' contracts generally include standard payment terms. The payment terms vary by type and location of clients and services offered. Client payments are typically due within 30 days but may be shorter or longer term depending on the contract. Client contracts are generally short-term in nature with a term of one year or less. The timing between satisfaction of the performance obligation, invoicing and payments is not significant.

Significant Judgments

For performance obligations satisfied over time, the Companies recognize revenue over time as progress is made toward satisfying the performance obligations of each contract based upon the service hours or material input into the services.

Accounting Policies and Practical Expedients Elected

The Companies elected to use the portfolio approach practical expedient to evaluate contracts with customers.

The Companies are applying an accounting policy election, which allows an entity to exclude from revenue any amounts collected from customers on behalf of third parties, such as sales taxes and other similar taxes collected concurrent with revenue-producing activities. Therefore, revenue is presented net of sales taxes and similar revenue-based taxes.

For incremental costs of obtaining a contract, the Companies elected a practical expedient, which permits an entity to recognize incremental costs to obtain a contract as an expense when incurred if the amortization period is less than one year. This election had an immaterial effect on the consolidated financial statements.

The Companies elected to use the right to invoice practical expedient. This practical expedient allows an entity to recognize revenue in the amount of consideration to which the entity has the right to invoice when the amount that the entity has the right to invoice corresponds directly to the value transferred to the customer.

Note 4: Marketable Securities

Marketable securities consist of the following at December 31, 2019:

	December 31, 2019			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Common stock	$ 93,191	$ 17,115	$ -	$ 110,306
Pooled separate accounts	172,661	20,439	-	193,100
	$ 265,852	$ 37,554	$ -	$ 303,406

	December 31, 2018			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Common stock	$ 93,191	$ 5,907	$ -	$ 99,098
Pooled separate accounts	168,023	-	5,515	162,508
	$ 261,214	$ 5,907	$ 5,515	$ 261,606

During the years ended December 31, 2019, available-for-sale securities were sold for total proceeds of $116,330 and $279,536, respectively. The gross realized gains (losses) included in other income on the consolidated statements of comprehensive income on these sales totaled $3,486 and ($58,016) for the years ended December 31, 2019, respectively. The cost of securities sold is based on the specific identification method.

Net unrealized holding gains of $37,163 for the year ended December 31, 2019, is separately reported in the other income section on the consolidated statement of comprehensive income. Net unrealized holding losses of $29,080 for the year ended December 31, 2018, have been included in other comprehensive income.

Note 5: Property, Plant and Equipment

Property, plant and equipment consisted of the following at December 31, 2019:

	2019	2018
Land	$ 1,842,785	$ 1,842,785
Buildings and improvements	8,382,908	8,478,359
Machinery and equipment	9,129,980	8,779,166
Furniture and fixtures	3,932,907	3,703,336
Transportation vehicles	21,388,813	18,489,094
	44,677,393	41,292,740
Less accumulated depreciation and amortization	28,764,613	26,578,429
	$ 15,912,780	$ 14,714,311

Depreciation and amortization expense was $2,554,889 and $2,506,615 for the years ended December 31, 2019, respectively.

Note 6: Other Assets

Other assets consisted of the following at December 31, 2019:

	2019	2018
Pledge funds (Note 13)	$ 652,689	$ 638,067
Captive insurance investment (Note 8)	36,000	36,000
	$ 688,689	$ 674,067

Note 7: Intangible Assets and Loan Costs

Intangible assets and loan costs consisted of the following at December 31, 2019:

	2019	2018
Part B permit from the United States Environmental Protection Agency	$ 574,025	$ 574,025
Customer lists	2,660,860	2,660,860
Noncompete agreement	400,000	400,000
Loan costs	23,979	23,979
	3,658,864	3,658,864
Less accumulated amortization	3,362,811	3,274,314
	$ 296,053	$ 384,550

For the years ended December 31, 2019, amortization of intangibles and loan costs amounted to $88,497 and $144,300, respectively. Estimated amortization expense of intangibles and loan costs for each of the next five years and in the aggregate are:

Year	Amount
2020	$ 50,355
2021	50,355
2022	50,355
2023	33,284
2024	31,916
Thereafter	79,788
	$ 296,053

Note 8: Captive Insurance Investment

Environmental is part of a group of companies that have organized to be self-insured for workers' compensation insurance under the name Traffic Insurance, Ltd. (Traffic). Environmental owned 1.41% of outstanding stock in Traffic Insurance, Ltd. at December 31, 2019. Environmental records the investment under the cost method since it does not have influence over Traffic's operations. No ready market exists for the investment.

Note 9: Accrued Expenses

Accrued expenses consisted of the following at December 31, 2019:

	2019	2018
Accrued commissions, wages and bonuses	$ 5,890,170	$ 5,400,351
Accrued disposal costs	599,584	428,179
Accrued health insurance	-	44,689
Workers' compensation insurance	480,892	412,308
Accrued real estate taxes	231,887	223,486
Accrued payroll	679,376	432,254
Accrued vacation	209,108	173,505
Accrued other	493,931	2,635
	$ 8,584,948	$ 7,117,407

Note 10: Note Payable – Bank

The Companies have a $5,000,000 revolving line-of-credit agreement with a bank that is due June 30, 2020. The Companies can take five LIBOR Rate advances and one CB Floating Rate advance during the year. Interest on this note is payable monthly at the one-month LIBOR Rate (1.76% at December 31, 2019) plus 1.75% for LIBOR Rate advances or the prime rate (4.75% at December 31, 2019) for CB Floating Rate advances. No amount was outstanding on the line-of-credit at December 31, 2019 and 2018. The note is collateralized by substantially all assets of Environmental and personally guaranteed by the Companies' shareholders.

The bank requires compliance with certain financial covenants regarding the maintenance of a minimum tangible net worth amount and a certain debt service coverage ratio.

Note 11: Long-Term Debt

Long-term debt consisted of the following at December 31, 2019:

	2019	2018
Term loan with a bank, secured by property of T&D Missouri, with interest at 2.50%, payable in monthly installments of principal of $4,083 plus any unpaid accrued interest through October 2020, and a final payment of the remaining balance plus interest due November 2020.	$ 38,793	$ 87,793

Term loan with a bank, secured by property of T&D Missouri, with interest at 4.75%, original principal of $554,303, payable in monthly installments of principal of $3,079 plus any unpaid accrued interest through May 2018, extended and reamortized in June of 2018, with monthly installments of principal of $4,994 plus interest at 5.25% through May 2023, and a final payment of the remaining balance plus interest due June 2023.	$ 209,747	$ 269,675
Term loan with a bank, secured by equipment, original principal of $1,500,187, payable in monthly installments of principal of $25,003 plus interest at 2.5% above the LIBOR rate through June 2023, and a final payment of the remaining balance plus interest due in July 2023.	1,050,131	1,350,168
Note payable issued in connection with acquisition of Valley City, payable in monthly principal installments and interest at 2.50% of $28,333 through July 2022.	849,608	1,164,090
Notes payable to shareholder with interest ranging from prime plus 1% to 10%, due on demand including accrued interest of $23,338.	490,100	490,100
Term loan with a bank, secured by property of T&D, with interest at 2.50%, payable in monthly installments of principal of $1,519 plus any unpaid accrued interest through February 2022, and a final payment of the remaining balance plus interest due March 2022.	94,832	113,060
Term loan with a bank, secured by property of T&D, with interest at 2.50%, payable in monthly installments of principal of $3,155 plus any unpaid accrued interest through February 2022, and a final payment of the remaining balance plus interest due March 2022.	197,070	234,930
Term loan with a bank, secured by property of T&D, with interest at 2.50%, payable in monthly installments of principal of $2,676 plus any unpaid accrued interest through February 2022, and a final payment of the remaining balance plus interest due March 2022.	166,503	198,615
Term loan with a bank, secured by substantially all the assets of T&D VI, original principal of $1,460,000, payable in monthly installments of principal of $8,111 plus interest at 3.00% through September 2021, and a final payment of the remaining balance plus interest due in October 2021.	957,107	1,054,441

	2019	2018
Term loan with a bank, secured by substantially all the assets of Environmental, original principal of $783,424, payable in monthly installments of principal of $4,352 plus interest at 4.75% through May 2018, extended and reamortized in June of 2018, with monthly installments of principal of $7,017 plus interest at 5.25% through May 2023, and a final payment of the remaining balance plus interest due June 2023.	$ 287,700	$ 371,905
Term loan with a bank, secured by property of T&D, with interest at 4.75%, original principal of $394,549, payable in monthly installments of principal of $2,192 plus any unpaid accrued interest through May 2018, extended and reamortized in June 2018, with monthly installments of principal of $3,539 plus interest at 5.25% through May 2023, and a final payment of the remaining balance plus interest due June 2023.	148,641	191,110
Term loan with a bank, secured by property of T&D Michigan, with interest at 3.00%, original principal of $1,000,000, payable in monthly installments of $5,556 plus any unpaid accrued interest through October 2019, and a final payment of the remaining balance plus interest due November 2019. Note was paid in full in November 2019.	-	594,444
Term loan with a bank, secured by certain equipment with interest at 2.50%, payable in monthly installments of 1/60th of the current outstanding principal plus any unpaid accrued interest through May 2020, and a final payment of the remaining balance plus interest due June 2020.	193,976	581,948
Term loan with a bank, secured by equipment, with interest at 3.00%, original principal of $2,000,000, payable in monthly installments of 1/60th of the current outstanding principal plus any unpaid accrued interest through May 2019, and a final payment of the remaining balance plus interest due June 2019. Note was paid in full in June 2019.	-	200,000
Term loan with a bank, secured by equipment, with interest at 3.00%, original principal of $750,000, payable in monthly installments of 1/60th of the current outstanding		

		2019		2018
principal plus any unpaid accrued interest at the prime rate (4.75% at December 31, 2019) through May 2020, and a final payment of the remaining balance plus interest due June 2020.	$	225,000	$	375,000
Term loan with a bank, secured by equipment, with interest at 2.50% in excess of LIBOR, payable in monthly installments of $33,333 plus any unpaid accrued interest through June 2022, and a final payment of the remaining balance plus interest due July 2022.		1,033,333		1,433,333
Term loan with a bank, secured by T&D Michigan equipment, with interest at 3.00% in excess of LIBOR, payable in monthly installments of $8,981 plus any unpaid accrued interest through November 30, 2024.		520,926		-
Term loan with a bank, secured by equipment, with interest at 2.50% in excess of LIBOR, payable in monthly installments of $40,024 plus any unpaid accrued interest through July 2024, and a final payment of the remaining balance plus interest due August 2024.		2,201,331		-
		8,664,798		8,710,612
Less current portion		2,365,437		2,768,067
	$	6,299,361	$	5,942,545

Following are maturities of long-term debt for each of the next five years and in the aggregate:

Year		Amount
2020	$	2,365,437
2021		3,318,376
2022		1,786,631
2023		824,369
2024		369,985
	$	8,664,798

Note 12: Income Taxes

The provision for state income taxes consisted of the following for the years ended December 31, 2019 and 1899:

	2019	2018
Current	$ 176,738	$ 297,280
Deferred	64,000	2,000
	$ 240,738	$ 299,280

Deferred taxes consisted of the following at December 31, 2019:

	2019	2018
Deferred tax assets	$ 114,000	$ 89,000
Deferred tax liability	(372,000)	(283,000)
Net deferred tax liability	$ (258,000)	$ (194,000)

The principal sources of temporary differences are due to the Companies being cash basis taxpayers and accelerated methods of depreciation being used for tax purposes.

Note 13: Commitments and Contingencies

Letter of Credit

Environmental is part of a group of companies that have organized to be self-insured for workers' compensation insurance (see Note 8).

Self-Insurance

The Companies provide their employees' health insurance under a partially self-insured plan. The Companies maintain excess insurance that limits their exposure to $75,000 per claim and an aggregate of $4,332,450 for all claims paid during a year.

Pledge Funds

Environmental has established a trust fund, pursuant to applicable regulations in the State of Texas, to provide assurance that funds will be available for closure and post-closure care of its facility in Houston, Texas. Such funds aggregated $652,689 and $638,067, at December 31, 2019, respectively, which are primarily invested in U.S. Treasury notes with various maturities between November 2020 and November 2022, and are valued using Level 2 inputs as described in Note 19.

When a waste treatment facility is opened in the State of Texas, Texas regulations require an initial calculation for closure and post-closure care of the facility. The closure care costs are based on the cost for a third party to dispose of on-hand waste (assuming full capacity) at the time of closure, and are adjusted annually for inflation. The Companies have accrued the estimated disposal cost of waste on-hand at December 31, 2019, in the accompanying consolidated financial statements. In addition, the regulations require an initial calculation of the maximum potential cost for post-closure care of the facility for a period of 30 years after the facility is closed.

Management does not anticipate any costs to be incurred if the Houston facility were to be shut down and accordingly, no accrual for these costs has been included in these consolidated financial statements. It is possible management's estimate of the potential cost of post-closure care of the facility may change in subsequent years, and that change could be material.

Earnout Payments

Under the terms of the acquisition agreement for KEY Engineering, LLC, Engineering is liable to the selling stockholder for "earnout" payments through December 31, 2019, equal to varying percentages of the amount by which net profits, as defined, exceed excess net income. No amount was paid to the former stockholder during 2019. For the year ended December 31, 2018, $51,843 was owed to the former stockholder.

Under the terms of the acquisition agreement for REW Group LLC, Environmental is liable to the selling stockholder for "earnout" payments equal to 5% of the gross revenue generated by REW business, in each quarter in excess of $1,000,000 through September 30, 2020. No amount was paid to the former stockholder during 2019 or 2018. The future payments are contingent upon the continuing employment by Environmental of the former stockholder. The provisions of the agreement do not result in these payments being treated as additional purchase price for REW.

Under the terms of the acquisition agreement for Advanced Rescue & Safety, LLC (ARS), Environmental is liable to the selling stockholder for "earnout" payments equal to defined percentage of the net income generated by ARS business in each year in excess of $140,000 through December 31, 2022. For the year ended December 31, 2019, $271,465 was paid to the former stockholder. The future payments are contingent upon the continuing employment by Environmental of the former stockholder. The Companies have recorded the remaining contingent consideration of $221,000 as accrued expenses on the consolidated balance sheet.

Under the terms of the acquisition agreement for Environmental Remediation Services (ERS), Environmental is liable to the selling stockholder for "earnout" payments through December 31, 2022, equal to varying percentages of the amount by which net profits, as defined, exceed excess net income. No amount was paid for the year ended December 31, 2019. The estimated fair value of future payments were deemed to be immaterial and no contingent considerations was recognized for this acquisition.

Litigation

The Companies are party to various legal proceedings arising out of the normal course of business. The Companies believe that there is no proceeding, either threatened or pending, against the

Companies that could result in a material adverse effect on the results of operations or the financial condition of the Companies.

Note 14: Common Stock

Common stock consisted of the following at December 31, 2019:

	2019	2018
SET Environmental, Inc. common stock, Class A, no par value; 10,000 shares authorized; 755 shares issued and outstanding.	$ 6,040	$ 6,040
SET Environmental, Inc. common stock, Class B, nonvoting, no par value, 10,000 shares authorized; 13 shares issued; no shares outstanding.	314,500	314,500
Common stock included in shareholders' equity	$ 320,540	$ 320,540
SET Industrial Services, Inc. common stock, Class A, no par value; 10,000 shares authorized; 755 shares issued and outstanding.	$ 132,880	$ 132,880
SET Industrial Services, Inc. common stock, Class B, nonvoting, no par value; 10,000 shares authorized; 13 shares issued; no shares outstanding.	105,500	105,500
Common stock included in noncontrolling interest	$ 238,380	$ 238,380

Treasury stock is recorded at cost and consisted of the following at December 31, 2019:

	2019	2018
SET Environmental, Inc. common stock, no par value; 13 shares of Class B included in shareholders' equity.	$ 314,500	$ 314,500
SET Industrial Services, Inc. common stock, no par value; 13 shares of Class B, included in noncontrolling interests.	105,500	105,500

Note 15: Retirement Plan

Environmental sponsors a 401(k) retirement plan covering substantially all employees. The 401(k) plan provides for employee contributions and a matching amount determined at the discretion of Environmental. Environmental did not make any discretionary or matching contributions for 2019.

Note 16: Related Parties and Shareholder Advance

The Companies lease their Wheeling facility from two of the shareholders on a month-to-month basis. The Companies are also responsible for utilities, real estate taxes and maintenance on building leases. Included in Note 17 is rent expense paid for these leases of $28,437 for each of the years ended December 31, 2019.

Included in Note 11 are notes payable to a shareholder. Interest expense charged for these notes was $23,338 for each of the years ended December 31, 2019.

A shareholder was advanced $2,330,000 as of December 31, 2018, which was paid back to the Company on March 27, 2019.

Note 17: Operating Leases

The Companies lease automobiles, property, machinery and equipment from unrelated third parties under operating leases that expire at various dates through 2029.

Future minimum rental payments under noncancelable operating leases with remaining terms in excess of one year as of December 31, 2019, are as follows:

Year	Amount
2020	$ 480,236
2021	662,084
2022	354,032
2023	359,133
2024	318,105
Thereafter	816,607
	$ 2,990,197

Rent expense included in the consolidated financial statements for these leases and the lease discussed in Note 16 totaled $504,553 and $497,153 for the years ended December 31, 2019, respectively.

Note 18: Variable Interest Entities

Environmental is the primary beneficiary of and consolidates related parties (Onsite, Industrial, T&D, T&D Missouri, T&D Michigan and T&D VI) that are variable interest entities (VIEs). Environmental has various leasing and guarantee agreements with the VIEs as discussed in Note 2. Through the lease agreements, Environmental controls the significant activities of the VIEs. No additional support beyond what was previously agreed to has been provided during any periods presented.

For no consideration, Environmental has agreed to guarantee the long-term debt of the VIEs. Environmental's maximum exposure under these guarantees was $2,333,569 as of December 31, 2019. The details of these debt instruments are included in Note 11 to the consolidated financial statements. Environmental can be required to perform on these guarantees in the event of nonpayment of these arrangements by the VIEs. In the event Environmental would be required to pay the entire guaranteed amounts, the value of the assets pledged on the bank debt would be available to liquidate and recover some or all of the amounts paid. However, any decision to liquidate the collateral would be made after an evaluation of the circumstances at the time and the amount of any recovery available to Environmental is not currently estimable.

Under the terms of the lease agreements with the VIEs, the Companies are required to make monthly payments equal to the monthly debt obligations to the VIEs. In addition, the Companies are required to pay for property taxes, insurance and maintenance on the related properties.

The following table summarizes the carrying amounts of the VIEs' assets and liabilities included in the consolidated balance sheets at December 31, 2019.

	2019	2018
Current assets	$ 373	$ 1,053
Property and equipment, net	5,132,938	5,221,771
Total assets	$ 5,133,311	$ 5,222,824
Current liabilities, excluding long-term debt portion	$ 56,331	$ 5,000
Long-term debt	2,333,619	2,744,068
Total liabilities	$ 2,389,950	$ 2,749,068

The VIEs are financed through long-term borrowings from third parties and borrowings from the Companies. The assets of the VIEs can only be used to settle the obligations of the VIEs. The creditors of the VIEs have recourse to the general credit of the Companies through the guarantees provided by the Companies and their shareholders.

Note 19: Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. There were no changes to valuation methodologies at December 31, 2019 or 1899.

As of December 31, 2019, marketable securities, in the fair value amounts shown in Note 3, are comprised of common stock, valued using Level 1 inputs, and pooled separate accounts and municipal bonds, valued on a recurring basis using Level 2 inputs.

The Companies' measurement of contingent consideration as disclosed in Notes 13 and 18 are measured using Level 3 inputs.

Note 20: Business Combination

On January 23, 2019, in order to expand service offerings, Environmental acquired certain assets of Advanced Rescue & Safety, LLC (ARS), an Illinois limited liability corporation providing rescue and safety services, safety equipment rental and safety training. In connection with the acquisition, Environmental paid cash of $305,948, settled ARS notes payable in the amount of $184,052, and assumed a $492,465 liability for contingent compensation. The purchase price was allocated based on the estimated fair value of the identifiable assets. Assets acquired are summarized as follows:

Fair value of consideration transferred		
Cash	$	761,465
Fair value of contingent consideration		221,000
Total		982,465
Recognized amounts of identifiable assets acquired		
Property, plant and equipment		175,000
Goodwill	$	807,465

Related acquisition costs, which are immaterial to the consolidated financial statements paid by Environmental were expensed as incurred.

The goodwill arising from the acquisition consists largely of synergies and economies of scale expected by combining the operations and of the goodwill amount. The goodwill is expected to be deductible for tax purposes.

Under the terms of the acquisition agreement, Environmental is liable to the selling stockholder for "earnout" payments equal to defined percentage of the net income generated by the acquired business in each year in excess of $140,000 through December 31, 2022. For the year ended

December 31, 2019, $271,465 was paid to the former stockholder. The Company has recorded the remaining contingent consideration of $221,000 as accrued expenses on the consolidated balance sheet.

On November 1, 2019, in order to establish a business presence in Indiana and Ohio and expand service offerings, Environmental acquired certain assets of Environmental Remediation Services, (ERS), an Indiana corporation providing environmental remediation services. In connection with the acquisition, Environmental paid $6,838,000 in cash. The purchase price was allocated based on the estimated fair value of the identifiable assets. Assets acquired are summarized as follows:

Fair value of consideration transferred	
Cash	$ 6,838,000
Recognized amounts of identifiable assets acquired	
Property, plant and equipment	2,000,000
Goodwill	$ 4,838,000

The goodwill arising from the acquisition consists largely of synergies and economies of scale expected by combining the operations and of the goodwill amount. The goodwill is expected to be deductible for tax purposes.

Related acquisition costs, which are immaterial to the consolidated financial statements paid by Environmental were expensed as incurred.

Under the terms of the acquisition agreement, Environmental is liable to the selling stockholder for “earnout” payments through December 31, 2022, equal to varying percentages of the amount by which net profits, as defined, exceed excess net income. No amount was paid for the year ended December 31, 2019. The estimated fair value of future payments were deemed to be immaterial and no contingent considerations was recognized for this acquisition.

Note 21: Goodwill

As of December 31, 2019, goodwill consists of the following:

	2019	2018
Goodwill	$ 9,462,265	$ 3,816,800
Accumulated amortization	(1,671,563)	(1,128,503)
	$ 7,790,702	$ 2,688,297

Amortization expense was $543,060 in 2019 and $381,680 in 2018.

Annual amortization expense for the years ended December 31, 2020 through 2023, will be $946,226 and $881,226 for the year ended December 31, 2024.

Changes in carrying amount of goodwill for the years ended December 31, 2019 and 2018, were:

	Cost	Accumulated Amortization	Net
Balance, January 1, 2018	$ 3,816,800	$ (746,823)	$ 3,069,977
Amortization expense	-	(381,680)	(381,680)
Balance, December 31, 2018	3,816,800	(1,128,503)	2,688,297
Goodwill acquired from business acquisitions in 2019	5,645,465	-	5,645,465
Amortization expense	-	(543,060)	(543,060)
Balance, December 31, 2019	$ 9,462,265	$ (1,671,563)	$ 7,790,702

Note 22: Subsequent Events

There has been significant volatility in the investment markets both nationally and globally since December 31, 2019, resulting in an overall market decline in certain market segments which has resulted in a substantial decline in the value of our investment portfolio.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Companies. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Subsequent events have been evaluated through April 28, 2020, which is the date the consolidated financial statements were available to be issued.

Supplementary Information

BKD
CPAs & Advisors

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Independent Auditor's Report on Supplementary Information

Boards of Directors
SET Environmental, Inc. and Subsidiaries
Wheeling, Illinois

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information listed in the table of contents, is presented for purposes of additional analysis rather than to present the financial position and results of operations of the individual companies and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

BKD, LLP

Oakbrook Terrace, Illinois
April 28, 2020

SET Environmental, Inc. and Subsidiaries

Consolidating Schedule – Balance Sheet Information

December 31, 2019

	SET	Onsite	T&D	T&D Missouri
Assets				
Current Assets				
Cash and cash equivalents	$ 1,315,964	$ 373	$ -	$ -
Accounts receivable, net of allowance for doubtful accounts of $511,278	35,114,381	-	-	-
Prepaid expenses and other current assets	1,213,582	-	-	-
Marketable securities	303,406	-	-	-
Total current assets	37,947,333	373	-	-
Property, Plant and Equipment, Net	10,779,842	-	1,592,995	887,563
Other Assets				
Intangible assets and loan costs, net	296,053	-	-	-
Goodwill, net	7,790,702	-	-	-
Other assets	688,689	-	-	-
Total other assets	8,775,444	-	-	-
	$ 57,502,619	$ 373	$ 1,592,995	$ 887,563

T&D Michigan	T&D VI	Eliminations	Total
$ -	$ -	$ -	$ 1,316,337
-	-	-	35,114,381
-	-	-	1,213,582
-	-	-	303,406
-	-	-	37,947,706
1,021,974	1,630,406	-	15,912,780
-	-	-	296,053
-	-	-	7,790,702
-	-	-	688,689
-	-	-	8,775,444
$ 1,021,974	$ 1,630,406	$ -	$ 62,635,930

SET Environmental, Inc. and Subsidiaries

Consolidating Schedule – Balance Sheet Information

December 31, 2019

Liabilities and Equity

	SET	Onsite	T&D	T&D Missouri
Current Liabilities				
Current portion of long-term debt	$ 1,930,943	$ -	$ 130,668	$ 98,721
Accounts payable	4,530,250	-	-	-
Accrued expenses	8,533,617	-	-	-
Income taxes payable	131,678	-	-	-
Total current liabilities	15,126,488	-	130,668	98,721
Noncurrent Liabilities				
Long-term debt	4,400,236	-	476,378	149,819
Deferred income taxes	258,000	-	-	-
	4,658,236	-	476,378	149,819
Total liabilities	19,784,724	-	607,046	248,540
Equity	37,717,895	373	985,949	639,023
	$ 57,502,619	$ 373	$ 1,592,995	$ 887,563

T&D Michigan	T&D VI	Eliminations	Total
$ 107,772	$ 97,333	$ -	$ 2,365,437
-	-	-	4,530,250
-	51,331	-	8,584,948
-	-	-	131,678
107,772	148,664	-	15,612,313
413,154	859,774	-	6,299,361
-	-	-	258,000
413,154	859,774	-	6,557,361
520,926	1,008,438	-	22,169,674
501,048	621,968	-	40,466,256
$ 1,021,974	$ 1,630,406	$ -	$ 62,635,930

SET Environmental, Inc. and Subsidiaries

Consolidating Schedule – Balance Sheet Information

December 31, 2018

	SET	Onsite	T&D	T&D Missouri
Assets				
Current Assets				
Cash and cash equivalents	$ 6,780,461	$ 467	$ -	$ -
Accounts receivable, net of allowance for doubtful accounts of $806,426	26,673,411	-	-	-
Shareholder advance	2,330,000	-	-	-
Prepaid expenses and other current assets	656,316	-	-	-
Marketable securities	261,606	-	-	-
Total current assets	36,701,794	467	-	-
Property, Plant and Equipment, Net	9,492,540	-	1,634,389	910,394
Other Assets				
Intangible assets and loan costs, net	384,550	-	-	-
Goodwill, net	2,688,297	-	-	-
Other assets	674,067	-	-	-
Total other assets	3,746,914	-	-	-
	$ 49,941,248	$ 467	$ 1,634,389	$ 910,394

T&D Michigan	T&D VI	Eliminations	Total
$ 586	$ -	$ -	$ 6,781,514
-	-	-	26,673,411
-	-	-	2,330,000
-	-	-	656,316
-	-	-	261,606
586	-	-	36,702,847
1,051,970	1,625,018	-	14,714,311
-	-	-	384,550
-	-	-	2,688,297
-	-	-	674,067
-	-	-	3,746,914
$ 1,052,556	$ 1,625,018	$ -	$ 55,164,072

SET Environmental, Inc. and Subsidiaries

Consolidating Schedule – Balance Sheet Information

December 31, 2018

	SET	Onsite	T&D	T&D Missouri
Liabilities and Equity				
Current Liabilities				
Current portion of long-term debt	$ 1,836,694	$ -	$ 130,668	$ 108,928
Accounts payable	2,803,997	-	-	-
Accrued expenses	7,117,407	-	-	-
Income taxes payable	251,389	-	-	-
Total current liabilities	12,009,487	-	130,668	108,928
Noncurrent Liabilities				
Long-term debt	4,129,850	-	607,047	248,540
Deferred income taxes	194,000	-	-	-
	4,323,850	-	607,047	248,540
Total liabilities	16,333,337	-	737,715	357,468
Equity	33,607,911	467	896,674	552,926
	$ 49,941,248	$ 467	$ 1,634,389	$ 910,394

T&D Michigan	T&D VI	Eliminations	Total
$ 594,444	$ 97,333	$ -	$ 2,768,067
-	-	-	2,803,997
-	-	-	7,117,407
-	-	-	251,389
594,444	97,333	-	12,940,860
-	957,108	-	5,942,545
-	-	-	194,000
-	957,108	-	6,136,545
594,444	1,054,441	-	19,077,405
458,112	570,577	-	36,086,667
$ 1,052,556	$ 1,625,018	$ -	$ 55,164,072

SET Environmental, Inc. and Subsidiaries

Consolidating Schedule – Operations Information

Year Ended December 31, 2019

	SET	Onsite	T&D	T&D Missouri
Revenues				
HazMat cleanup	$ 88,389,123	$ -	$ -	$ -
Waste transportation	23,571,320	-	-	-
Gas cylinder treatment	5,559,104	-	-	-
Waste treatment	5,973,385	-	-	-
Disposal	5,164,401	-	-	-
Other	1,707,484	-	324,940	252,969
Total revenues	130,364,817	-	324,940	252,969
Operating Expenses				
Payroll and benefits	59,218,833	-	-	-
General and administrative	23,726,156	94	105,631	54,247
Waste disposal	19,846,645	-	-	-
Transportation	9,398,486	-	-	-
Supplies	5,684,505	-	-	-
Other	440,135	-	-	-
Total operating expenses	118,314,760	94	105,631	54,247
Income (Loss) From Operations	12,050,057	(94)	219,309	198,722
Other Income (Expense)				
Interest expense	(297,048)	-	(34,497)	(15,970)
Dividend income	8,046	-	-	-
Unrealized gain on securities	37,163	-	-	-
Loss on sale of assets	(26,487)	-	-	-
Other, net	696,409	-	-	-
Total other income (expense)	418,083	-	(34,497)	(15,970)
Income (Loss) Before Income Taxes	12,468,140	(94)	184,812	182,752
Income Tax Expense	240,738	-	-	-
Net Income (Loss)	12,227,402	(94)	184,812	182,752
Less net income (loss) attributable to noncontrolling interests	-	(94)	184,812	182,752
Net Income Attributable to Set Environmental, Inc.	$ 12,227,402	$ -	$ -	$ -

T&D Michigan	T&D VI	Eliminations	Total
$ -	$ -	$ -	$ 88,389,123
-	-	-	23,571,320
-	-	-	5,559,104
-	-	-	5,973,385
-	-	-	5,164,401
203,326	307,030	(1,028,994)	1,766,755
203,326	307,030	(1,028,994)	130,424,088
-	-	-	59,218,833
68,753	89,695	(1,028,994)	23,015,582
-	-	-	19,846,645
-	-	-	9,398,486
-	-	-	5,684,505
-	-	-	440,135
68,753	89,695	(1,028,994)	117,604,186
134,573	217,335	-	12,819,902
(22,861)	(51,391)	-	(421,767)
-	-	-	8,046
-	-	-	37,163
-	-	-	(26,487)
-	-	-	696,409
(22,861)	(51,391)	-	293,364
111,712	165,944	-	13,113,266
-	-	-	240,738
111,712	165,944	-	12,872,528
111,712	165,944	-	645,126
$ -	$ -	$ -	$ 12,227,402

SET Environmental, Inc. and Subsidiaries

Consolidating Schedule – Operations Information

Year Ended December 31, 2018

	SET	Onsite	T&D	T&D Missouri
Revenues				
HazMat cleanup	$ 72,779,355	$ -	$ -	$ -
Waste transportation	25,580,860	-	-	-
Gas cylinder treatment	6,307,358	-	-	-
Waste treatment	5,397,626	-	-	-
Disposal	3,684,099	-	-	-
Other	813,939	-	330,643	244,871
Total revenues	114,563,237	-	330,643	244,871
Operating Expenses				
Payroll and benefits	49,147,756	-	-	-
General and administrative	20,083,568	89	116,645	55,845
Waste disposal	13,973,586	-	-	-
Transportation	13,949,491	-	-	-
Supplies	4,838,173	-	-	-
Other	1,030,675	-	-	-
Total operating expenses	103,023,249	89	116,645	55,845
Income (Loss) From Operations	11,539,988	(89)	213,998	189,026
Other Income (Expense)				
Interest income	6,597	-	-	-
Interest expense	(307,245)	-	(40,205)	(26,597)
Dividend income	7,445	-	-	-
Other, net	661,117	-	-	-
Total other expense	367,914	-	(40,205)	(26,597)
Income (Loss) Before Income Taxes	11,907,902	(89)	173,793	162,429
Income Tax Expense	299,280	-	-	-
Net Income (Loss)	11,608,622	(89)	173,793	162,429
Less net income attributable to noncontrolling interests	-	(89)	173,793	162,429
Net Income Attributable to SET Environmental, Inc.	$ 11,608,622	$ -	$ -	$ -

T&D Michigan	T&D VI	Eliminations	Total
$ -	$ -	$ -	$ 72,779,355
-	-	-	25,580,860
-	-	-	6,307,358
-	-	-	5,397,626
-	-	-	3,684,099
199,951	310,181	(1,005,356)	894,229
199,951	310,181	(1,005,356)	114,643,527
-	-	-	49,147,756
69,103	90,298	(1,005,356)	19,410,192
-	-	-	13,973,586
-	-	-	13,949,491
-	-	-	4,838,173
-	-	-	1,030,675
69,103	90,298	(1,005,356)	102,349,873
130,848	219,883	-	12,293,654
-	-	-	6,597
(25,453)	(52,736)	-	(452,236)
-	-	-	7,445
-	-	-	661,117
(25,453)	(52,736)	-	222,923
105,395	167,147	-	12,516,577
-	-	-	299,280
105,395	167,147	-	12,217,297
105,395	167,147	-	608,675
$ -	$ -	$ -	$ 11,608,622