HIS CONSTRUCTORS, INC.
AND SUBSIDIARIES
AND AFFILIATES

FINANCIAL REPORT

December 31, 2022

HIS
CONSTRUCTORS, INC.

Pile CPAs
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INDEPENDENT AUDITOR'S REPORT

To the Stockholders and Members
HIS Constructors, Inc. and Subsidiaries and HIS Management Corporation, and Blue River Environmental and Restoration, Inc.
Fairland, Indiana

Opinion

We have audited the consolidated and combined financial statements of HIS Constructors, Inc. and its subsidiaries, and HIS Management Corporation and Blue River Environmental and Restoration, Inc. (the "Company"), which comprise the consolidated and combined balance sheets as of December 31, 2022 and 2021, the related consolidated and combined statements of income, changes in stockholders' equity/members' capital, and cash flows for the years then ended, and the related notes to the consolidated and combined financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Supplementary Information

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

Pile CPAs

Indianapolis, Indiana
April 27, 2023

HIS CONSTRUCTORS, INC. AND SUBSIDIARIES AND AFFILIATES

CONSOLIDATED AND COMBINED BALANCE SHEETS - continued
December 31, 2022 and 2021

	2022	2021
LIABILITIES AND STOCKHOLDERS' EQUITY / MEMBERS' CAPITAL		
CURRENT LIABILITIES		
Current maturities of long-term notes payable	$ 2,516,274	$ 4,444,562
Current portion of operating lease liabilities	1,299,060	-
Current portion of finance lease obligations	48,404	-
Current portion of capital lease obligations	-	1,030,100
Accounts payable	14,500,197	12,723,018
Accounts payable - related parties	28,000	-
Interest payable	-	3,923
Accrued salaries, wages and benefits	693,430	414,280
Accrued taxes	67,800	88,812
Accrued distributions	-	306,669
Accrued professional fees	322,707	75,000
Contract liabilities	1,981,949	5,871,200
TOTAL CURRENT LIABILITIES	21,457,821	24,957,564
LONG-TERM DEBT		
Bank lines of credit	6,427,518	745,407
Notes payable, less current maturities	4,554,807	2,256,677
Operating lease liabilities - noncurrent	6,898,968	-
Finance lease obligations, less current portion	128,150	-
Capital lease obligations, less current portion	-	1,260,159
	18,009,443	4,262,243
STOCKHOLDERS' EQUITY / MEMBERS' CAPITAL		
Common stock	255	255
Capital in excess of stated value	2,735,743	2,735,743
Retained earnings	12,555,036	10,668,518
	15,291,034	13,404,516
Less treasury stock	84,088	2,879
	15,206,946	13,401,637
	$ 54,674,210	$ 42,621,444

See Notes to Consolidated and Combined Financial Statements.

HIS CONSTRUCTORS, INC. AND SUBSIDIARIES AND AFFILIATES

CONSOLIDATED AND COMBINED STATEMENTS OF INCOME

Years ended December 31, 2022 and 2021

	2022	2021
Revenues earned	$ 76,440,214	$ 59,285,486
Cost of revenues earned	66,915,379	52,767,953
GROSS PROFIT	9,524,835	6,517,533
Operating expenses:		
Selling and administrative	8,470,184	7,626,622
OPERATING INCOME (LOSS)	1,054,651	(1,109,089)
Other income (expense):		
Gain (loss) on sale of assets	(147,778)	1,729,216
Interest expense	(709,609)	(407,847)
PPP loan forgiveness	-	3,481,143
Other	1,609,243	181,280
	751,856	4,983,792
NET INCOME BEFORE INCOME TAXES AND EQUITY IN NET EARNINGS IN INVESTEE COMPANIES	1,806,507	3,874,703
Benefit (Provision) for income taxes	218,900	83,400
NET INCOME BEFORE EQUITY IN NET EARNINGS IN INVESTEE COMPANIES	2,025,407	3,958,103
Equity in net earnings of investee companies	-	48,804
NET INCOME	$ 2,025,407	$ 4,006,907

See Notes to Consolidated and Combined Financial Statements.

HIS CONSTRUCTORS, INC. AND SUBSIDIARIES AND AFFILIATES

CONSOLIDATED AND COMBINED STATEMENTS OF STOCKHOLDERS' EQUITY / MEMBERS' CAPITAL

Year ended December 31, 2022

	Retained Earnings	Members' Capital	Common Stock	Capital In Excess of Stated Value	Treasury Stock	Total
Balance at December 31, 2020	$ 7,535,874	$ -	$ 255	$ 2,735,743	$ (2,879)	$ 10,268,993
Net Income	4,006,907	-	-	-	-	4,006,907
Distributions	(874,263)	-	-	-	-	(874,263)
Balance at December 31, 2021	10,668,518	-	255	2,735,743	(2,879)	13,401,637
Net Income	2,025,407	-	-	-	-	2,025,407
Purchase of Treasury Stock	-	-	-	-	(81,209)	(81,209)
Distributions	(138,889)	-	-	-	-	(138,889)
Balance at December 31, 2022	$ 12,555,036	$ -	$ 255	$ 2,735,743	$ (84,088)	$ 15,206,946

See Notes to Consolidated and Combined Financial Statements.

HIS CONSTRUCTORS, INC. AND SUBSIDIARIES AND AFFILIATES

CONSOLIDATED AND COMBINED STATEMENT OF CASH FLOWS - continued
Years ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on line of credit	$ (65,364,012)	$ (29,881,251)
Borrowings on line of credit	68,791,280	27,585,479
Proceeds from long-term debt	655,000	2,135,468
Principal payments on long-term debt	(2,725,425)	(1,293,504)
Payments on finance leases	(47,746)	-
Payments on capital leases	-	(1,201,826)
Purchase of treasury stock	(81,209)	-
Distributions paid	(445,558)	(605,310)
Net cash used in financing activities	782,330	(3,260,944)
Increase (Decrease) in cash and equivalents	5	(504,262)
CASH AND EQUIVALENTS		
Beginning	$ -	$ 504,262
Ending	$ 5	$ -
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for interest	$ 709,609	$ 407,847
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash outflows - payments on operating leases	$ 1,200,715	$ -
Operating cash outflows - payments on finance leases	2,721	-
Financing cash outflows - payments on operating leases	47,746	-
	$ 1,251,182	$ -
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Acquisition of equipment financed with long-term debt	$ 2,609,231	$ 3,464,851
Acquisition of equipment financed with capital lease obligations	$ -	$ 604,993
Right-of-use assets obtained in exchange for new lease obligations:		
Operating leases	$ 9,337,957	$ -

See Notes to Consolidated and Combined Financial Statements.

NOTE 1 NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business
HIS Constructors, Inc. and Subsidiaries (the "Company") is headquartered in Fairland, Indiana.

HIS Constructors, Inc. ("HIS") operates as an experienced nationwide general contractor primarily in the Midwest region of the United States and performs a variety of construction services including civil, excavation, environmental, industrial, highway and bridge construction.

HIS Transport, LLC ("Transport") is a for-hire heavy-haul transportation company providing services for the Company and other third party clients. Transport serves the greater Midwest area.

HIS Management Corporation ("MGMT") is organized as an Indiana corporation and provides management, administrative, employee leasing services, and all other functions as may be necessary or appropriate for the Company.

The Companies are the primary beneficiary of MGMT, which qualifies as a variable interest entity. Accordingly, the assets, liabilities, revenues and expenses of MGMT, have been included in the accompanying combined financial statements.

The Company has determined that due to common management and combined activities, it is more meaningful to present the financial statements of Blue River Environmental and Restoration, Inc. ("BRER") combined with the Company and MGMT.

BRER is organized, under common ownership as HIS and performs full-service emergency response for residential and commercial disasters including water damage, fire damage, storm damage, mold remediation, brownfield, vacuum truck, UST removal, industrial service projects, and a variety of other related services.

A summary of the Company's significant accounting policies follows:

A. Principles of Consolidation and Combination
The consolidated and combined financial statements include the accounts of HIS, Transport, MGMT, and BRER (collectively, the "Company").

All significant intercompany transactions have been eliminated.

NOTE 1 NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES- continued

B. Revenue From Contracts with Customers

The Company recognizes revenue in accordance with Accounting Standards Codification ("ASC") Topic 606, Revenue from Contracts with Customers, which provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

The Company's customers consist of government agencies and private customers. For government contracts, future cash flows depend on the Company's ability to continue to obtain federal, state and local government contracts, and indirectly on the amount of funding available to these agencies for new and current government projects. Therefore, a portion of the Company's operations is dependent upon the level and timing of government funding. For private customers, statutory mechanics liens provide the Company relatively high priority in the event of lien foreclosures, thus minimizing credit risk.

The Company evaluates whether two or more contracts should be combined and accounted for as one single performance obligation and whether a single contract should be accounted for as more than one performance obligation. ASC 606 defines a performance obligation as a contractual promise to transfer a distinct good or service to a customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The Company's evaluation requires significant judgment and the decision to combine a group of contracts or separate a contract into multiple performance obligations could change the amount of revenue and profit recorded in a given period.

Revenues from unit price, fixed price contracts or time and material contracts are recognized over time due to the continuous transfer of control to the customer as a single performance obligation in accordance with ASC Topic 606, Revenue from Contracts with Customers. Progress toward completion of these contracts is measured by the percentage of cost incurred to date to total estimated total costs for each contract. Because revenue earned and recognized over time that may not align with the billing provisions in the contract, costs and estimated earnings in excess of amounts billed (contract assets) are classified as current assets and billings in excess of costs and estimated earnings (contract liabilities) are classified as current liabilities.

NOTE 1 NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES- continued

B. Revenue From Contracts with Customers - continued

Costs that do not depict progress toward satisfaction of the performance obligation are included in contract costs but may not result in revenue being recognized, for example when such costs are attributable to significant unanticipated inefficiencies that were not included in the price of the contract or significant re-work. At times costs may be incurred that are not reflective of the Company's progress towards satisfaction of the performance obligation which may result in revenue being recognized only to the extent of such costs without any profit, for example uninstalled materials that are (1) not distinct, (2) control is transferred to the customer significantly before integration of the goods into the project, (3) cost of the transferred goods are significant relative to the total estimated costs of satisfying the performance obligation and (4) the Company is not significantly involved in designing or manufacturing the goods.

Cost of revenues earned include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs, and depreciation costs. The cost of significant uninstalled materials, re-work, or scrap is generally excluded from the cost-to-cost measure of progress as it is not proportionate to the Company's progress in satisfying the performance obligation. Costs to fulfill a contract, including mobilization costs and surety bonds, prior to substantive work beginning are required to be capitalized as incurred and amortized over the expected duration of the contract. During the years ended December 31, 2022 and 2021, the Company has determined that effects of capitalization and amortization of these costs are immaterial. General and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

The Company's contracts may include retention provisions to provide assurance to customers that the Company will perform in accordance with the contract terms. The retention provisions are not considered a significant financing component. The balances billed but not paid by customers pursuant to these provisions generally become due upon completion and acceptance of the project by the customer. The Company has determined that there are no significant financing components included in construction contracts as of December 31, 2022 and 2021, respectively.

Accounting for long-term contracts with customers involves the use of various techniques to estimate total transaction price, total estimated costs at completion and progress toward satisfaction of performance obligations which are used to recognize revenue earned. Unforeseen events and circumstances can alter the estimate of the costs associated with a particular contract. Total estimated costs at completion can be impacted by changes in productivity, scheduling, the unit cost of labor, subcontracts, materials, and equipment. Additionally, external factors such as weather, customer needs, customer delays in providing permits and approvals, labor availability, governmental regulation and politics may affect the progress of a project's completion and thus the timing and amount of revenue recognition. To the extent that original cost estimates are modified, estimated costs to complete increase, delivery schedules are delayed, or progress under a contract is otherwise impeded, cash flow, revenue recognition and profitability from a particular contract may be adversely affected.

NOTE 1 NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES- continued

B. Revenue From Contracts with Customers - continued

Hauling revenue is generated from tri-axle services and freight transportation services performed utilizing heavy truck trailer combinations. Revenues are recognized at a point in time upon shipment to the customer as that is when control of the freight is transferred, in an amount that reflects the consideration the Company expects to be entitled to in exchange for the promised service.

The nature of the Company's contracts gives rise to several types of variable consideration, including contract modifications (unapproved change orders and claims), liquidated damages, volume discounts, performance bonuses, shared savings, incentive fees and other terms that can either increase or decrease the transaction price. Transaction price for contracts is required to include evaluation of variable consideration to which the Company has an enforceable right to compensation or obligation for a reduction (as for liquidated damages), which can result in increases or decreases to a contract's transaction price. The Company estimates variable consideration as the most likely amount to which it expects to be entitled. The Company includes variable consideration in the estimated transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. The estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of the anticipated performance and all information (historic, current, and forecasted) that is reasonably available to the Company. The effect of a change in variable consideration on the transaction price of a performance obligation is recognized as an adjustment to revenue on a cumulative catch-up basis.

The Company considers claims to be contract modifications for which the Company has sought, or will seek, to collect from customers, or others, for customer-caused changes in contract specifications or design, or other customer-related causes of unanticipated additional contract costs on which there is no contractual agreement with the customer for changes in either the scope or price of the contract. Claims can also be caused by non-customer-caused changes, such as weather delays, work stoppages or other unanticipated events.

Costs associated with contract modifications are included in the estimated costs to complete the contracts and are treated as project costs when incurred. In most instances, contract modifications are for goods or services that are not distinct and, therefore, are accounted for as part of the existing contract. In those instances, the effect of a contract modification on the transaction price, and the measure of progress for the performance obligation to which it relates, is recognized as an adjustment to revenue on a cumulative catch-up basis.

To the extent unapproved change orders and claims reflected in the transaction price are not resolved in the Company's favor, or to the extent other contract provisions reflected in the transaction price are not earned, there could be reductions in or reversals of previously recognized revenue.

NOTE 1 NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES- continued

B. Revenue From Contracts with Customers - continued

As a significant change in one or more of these estimates could affect the revenue and profitability of the Company's long-term construction contracts, the Company reviews and updates contract-related estimates regularly. The Company recognizes adjustments in estimated revenue on contracts on a cumulative catch-up basis. Under this method, the cumulative impact of the revenue adjustment is recognized in the period the adjustment is identified. Revenue in future periods of contract performance are recognized using the adjusted estimate. If at any time the contract estimates indicate an anticipated loss on a contract, the projected loss is recognized in full, including the reversal of any previously recognized profit, in the period it is identified and recognized as an accrued loss on uncompleted contracts on the consolidated balance sheet. No adjustments resulting from revisions to estimates on any individual contract was material to the financial statements for the years ended December 31, 2022 or 2021.

Contracts generally include assurance-type warranties that the Company's performance is free from material defect and consistent with the specifications of the contracts, which do not give rise to a separate performance obligation. Historically, the Company has not experienced significant warranty costs.

The following table disaggregates the Company's revenue based on the timing of the satisfaction of performance obligations for the years ended December 31:

	2022	2021
Performance obligations satisfied over time	$ 73,970,198	$ 57,469,566
Performance obligations satisfied at a point in time	2,470,016	1,815,920
Total contract revenues earned and sales	$ 76,440,214	$ 59,285,486

The timing of when the Company bills their customers on long-term construction contracts is generally dependent upon agreed-upon contractual terms, which may include milestone billings based on the completion of certain phases of the work, or when services are provided. When as a result of contingencies, billings cannot occur until after the related revenue has been recognized, the result is in unbilled revenue, which is included in contract assets. Additionally, the Company may receive advances or deposits from customers before revenue is recognized, resulting in deferred revenue, which is included in contract liabilities.

Retainage for which the Company has an unconditional right to payment that is only subject to the passage of time are classified as contracts receivable. Retainage subject to conditions other than the passage of time do not meet the definition of a receivable and are therefore included in contract assets and contract liabilities, as determined on a contract by contract basis.

NOTE 1 NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES- continued

B. Revenue From Contracts with Customers - continued

Contract assets represent revenues recognized in excess of amounts paid or payable (contract receivables) to the Company on uncompleted contracts. Contract liabilities represent the Company's obligation to perform on uncompleted contracts with customers for which the Company has received payment or for which contract receivables are outstanding.

The following table provides information about contract receivables, contract assets and contract liabilities from contracts with customers:

	12/31/2022	12/31/2021	12/31/2020
Contract Receivables	$ 14,945,719	$ 20,482,289	$ 9,648,513
Contract Assets:			
Retainage receivable	$ 1,971,763	$ 2,074,322	$ 648,011
Costs and estimated earnings in excess of amounts billed	9,861,061	3,279,297	1,230,773
	$ 11,832,824	$ 5,353,619	$ 1,878,784
Contract Liabilities:			
Retainage payable	$ 328,659	$ 342,543	$ 203,602
Billings in excess of estimated earnings	1,653,290	5,528,657	1,327,240
	$ 1,981,949	$ 5,871,200	$ 1,530,842

C. Concentrations

Financial instruments that potentially subject the Company to credit risk consist principally of cash and contract receivables. The Company maintains its cash with a high-quality financial institution. Due to the contractual nature of the Company's business, significant customer concentrations occur and can change annually.

One customer accounted for 40% and 14% of total revenue earned for the years ended December 31, 2022 and 2021, respectively. One customer accounted for 16% and 0% of the total contract receivables as of December 31, 2022 and 2021, respectively.

D. Cash and Equivalents

Cash equivalents are all highly-liquid debt instruments purchased with a maturity of three months or less. The Company maintains its cash in bank deposit accounts which occasionally exceed the Federal Deposit Insurance limit. The Company has not experienced any losses in such accounts.

NOTE 1 NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES- continued

E. Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. The Company generally does not charge interest and late fees on past due accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable. Management evaluated open accounts receivable to determine which accounts were likely to be uncollectible and adjusted the allowance accordingly.

F. Inventory

Inventory, consisting of purchased job materials and supplies, is carried at lower of cost or net realizable value, determined on the first-in, first-out ("FIFO") method.

G. Property and Equipment

Property and equipment is stated at purchased cost, less accumulated depreciation. Depreciation of property and equipment is computed using the straight-line method. Machinery, vehicles, equipment, and construction equipment have estimated salvage values ranging from 10% to 20%. The following estimated useful lives are used:

	Years
Machinery, vehicles and equipment	5 - 12
Office and computer equipment	3 - 7
Construction equipment	5 - 20
Leasehold improvements	4 - 15
Small equipment and tools	3 - 5

Property and equipment 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 assets. 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 amounts of long-lived assets were required in 2022 or 2021.

H. Advertising Costs

The Company charges advertising costs to expense as incurred. Advertising expenses were $51,913 and $80,035 for the years ended December 31, 2022 and 2021, respectively.

NOTE 1 NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES- continued

I. Income Taxes

HIS with the consent of its stockholders, has elected to be taxed as an S Corporation pursuant to the applicable provisions of the Internal Revenue Code, whereby the stockholders are taxed directly on their proportionate share of HIS's taxable income. This election is also valid for the majority of the states where HIS files state tax returns. The wholly-owned LLCs are treated as disregarded entities for income tax purposes. BRER has elected to be taxed as an S Corporation pursuant to the applicable provisions of the Internal Revenue Code, whereby the stockholders are taxed directly on their proportionate share of BRER's taxable income. This election is also valid for the majority of the states where BRER files state tax returns.

The provision for income taxes related to MGMT includes federal and state income taxes currently payable and deferred income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period of enactment. Deferred income tax expense represents the change during the year in the deferred tax assets and liabilities. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax asset will not be realized.

Management has evaluated the Company's tax positions and concluded the Company has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. The Company files all required U.S. federal and various state income tax returns accordingly.

J. Leases

Effective January 1, 2022, the Company adopted the provisions of ASC Topic 842, Leases. The standard requires lessees to recognize most leases on their balance sheets as a right-of-use ("ROU") asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the standard retains a distinction between finance leases (similar to capital leases in Topic 840, Leases) and operating leases, with classification affecting the pattern of expense recognition in the income statement. The Company adopted Topic 842, Leases, on January 1, 2022, using the optional transition method as provided by ASU No. 2018-11, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Company has applied Topic 842 to reporting periods beginning on January 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Company's historical accounting treatment under ASC Topic 840, Leases.

NOTE 1 NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES - continued

J. Leases - continued

The Company elected the "package of practical expedients" under the transition guidance within Topic 842, in which the Company does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Company has not elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on January 1, 2022.

The Company determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Company obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Company also considers whether its service arrangements include the right to control the use of an asset.

The Company made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease, or January 1, 2022, for existing leases upon the adoption of Topic 842. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. Absent an implicit rate to determine the present value of lease payments, the Company made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date, or remaining term for leases existing upon the adoption of Topic 842, or uses an incremental borrowing rate.

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

The Company has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its building, vehicle and equipment asset classes. The non-lease components typically represent additional services transferred to the Company, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

NOTE 1 NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES - continued

J. Leases - continued

Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to the Company's operating leases of approximately $7,638,208 and $7,687,752, respectively, at January 1, 2022. The adoption of the new lease standard did not materially impact consolidated net earnings or consolidated cash flows and did not result in a cumulative-effect adjustment to the opening balance of retained earnings.

K. Financial Instruments

The Company believes that the carrying values of its financial instruments approximate their fair values based on market values currently available for financial instruments with similar terms and maturities. It is not practicable to estimate fair values of notes receivable and notes payable.

L. Significant Accounting Estimates

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

Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions, including credit losses on receivables and investments.

M. Stockholders' Equity / Members' Capital

The Company's stockholders' equity consists of retained earnings, common stock, and treasury stock outstanding. There are 1,000,000 shares no-par (stated value of $0.001) common stock authorized with 154,490 shares issued and 150,420 shares of common stock and 4,070 shares of treasury stock outstanding as of December 31, 2022. As of December 31, 2021 there were 154,490 shares issued and 152,841 shares of common stock and 1,649 shares of treasury stock outstanding.

MGMT stockholders' equity consists of retained earnings and common stock outstanding. There are 1,000,000 shares no-par (stated value of $0.001) common stock authorized with 100,000 shares issued and outstanding as of December 31, 2022 and 2021, respectively.

BRER stockholders' equity consists of retained earnings and common stock outstanding. There are 10,000,000 shares no-par common stock, with 10,000,000 shares authorized, issued and outstanding as of December 31, 2022 and 2021, respectively.

N. Reclassifications

Certain amounts from the prior year have been reclassified to conform with the current year presentation.

NOTE 1 NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES - continued

O. Evaluation of Subsequent Events

The Company has evaluated subsequent events through April 27, 2023, which is the date the financial statements were available to be issued.

NOTE 2 RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, Topic 842, Leases. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and corresponding lease liability on the balance sheet at the date of the lease commencement. Leases will be classified as either finance or operating, and this distinction will be relevant for the pattern of expense recognition in the statement of income. This standard was adopted for the Company for the year ending December 31, 2022.

NOTE 3 COSTS AND BILLINGS ON UNCOMPLETED CONTRACTS

Information with respect to contracts in progress is as follows:

	2022	2021
Total contracts in progress	$ 105,967,840	$ 143,823,410
Costs incurred on uncompleted contracts	$ 68,900,502	$ 75,815,121
Estimated earnings	7,232,055	17,828,271
	76,132,557	93,643,392
Less billings to date	67,924,786	95,892,752
	$ 8,207,771	$ (2,249,360)

Included in the accompanying combined balance sheets under the following captions:

Contract assets:		
Costs and estimated earnings in excess of billings on uncompleted contracts	$ 9,861,061	$ 3,279,297
Contract liabilities:		
Billings in excess of costs and estimated earnings on uncompleted contracts	1,653,290	5,528,657
	$ 8,207,771	$ (2,249,360)

NOTE 4 BACKLOG

The following schedule summarizes changes in backlog on contracts during the year ended December 31, 2022. Backlog represents the amount of revenue the Company expects to realize from work to be performed on uncompleted contracts in progress at December 31, 2022 and from contractual agreements on which work has not yet begun.

Backlog balance at January 1, 2022	$ 50,180,018
New contracts and adjustments during the year	56,095,481
	106,275,499
Less: Contract revenue earned during the year	(76,440,214)
Backlog balance at December 31, 2022	$ 29,835,285

NOTE 5 DEBT ARRANGEMENTS

MGMT has a line of credit with First Farmers Bank & Trust. The agreement provides for up to $9,000,000 in borrowings through October 1, 2024 at which time all outstanding principal is due. Interest, which is due monthly is calculated at a prime-based rate, adjusting daily. Borrowings are secured by substantially all of the assets of the Company and guaranteed by the Company's majority stockholder/member and all the companies separately. There was $6,427,517 and $3,000,250 outstanding on this agreement at a rate of 7.25% and 4.75% at December 31, 2022 and 2021, respectively.

MGMT has an equipment guidance line of credit with First Farmers Bank & Trust. The agreement provides for up to $500,000 in borrowings through October 29, 2025 with interest due monthly at 4.75% interest until October 29, 2025 and monthly payments of $9,394. The rate is prime-rate based and adjusts every five years, with a floor of 4.25%. Borrowings are secured by substantially all of the assets of the Company and guaranteed by the Company's majority stockholder/member and all the companies separately. There was $297,987 and $391,550 outstanding on this agreement at December 31, 2022 and 2021, respectively.

MGMT has a $2,000,000 term loan through October 29, 2023 with First Farmers Bank & Trust. The note requires $45,897 monthly payments with an interest rate of 4.75% until October 29, 2024 at which time it adjusts based on a 5 year Commercial Ag Index. Borrowings are secured by substantially all of the assets of the Company and guaranteed by the Company's majority stockholder/member and all the companies separately. At December 31, 2022 and 2021 there was $449,022 and $964,698 outstanding on this note, respectively.

MGMT has an equipment term loan through October 27, 2027 with First Farmers Bank & Trust. The agreement provides for up to $655,000 in borrowings through October 27, 2027 with interest due monthly at 6.95% and monthly payments of $12,986 until October 27, 2027. Borrowings are secured by substantially all of the assets of the Company and guaranteed by the Company's majority stockholder/member and all the companies separately. At December 31, 2022 there was $636,689 outstanding on this note.

NOTE 5 DEBT ARRANGEMENTS - continued

MGMT has an equipment line of credit with First Farmers Bank & Trust. The agreement provides for up to $3,000,000 in borrowings through July 1, 2023 at which time all outstanding principal is due with interest due monthly. The rate is prime-rate based and adjusts on a monthly basis. Borrowings are secured by substantially all of the assets of the Company and guaranteed by the Company's majority stockholder/member and all the companies separately. The interest rate was 7.25% as and there was no outstanding balance on this agreement at December 31, 2022.

The bank debt above includes a debt service ratio covenant. The Company was in compliance at December 31, 2022 and 2021.

The Company also has various financing arrangements for the purchase of equipment. Summary of long-term debt as of December 31, 2022 and 2021 is as follows:

Type	Interest Rate	Schedule of Payments	Balance 2022	Balance 2021
Revolving line of credit - First Farmers Bank & Trust - Secured by company assets	Prime - based rate	Due in full 10/1/2024	$ 6,427,517	$ 3,000,250
Term note payable - First Farmers Bank & Trust - Secured by company assets	4.75%	Monthly payments of $9,394; Due 10/29/25	297,987	391,550
Term note payable - First Farmers Bank & Trust - Secured by company assets	4.75%	Monthly payments of $45,897; Due 10/29/23	449,022	964,698
Term note payable - First Farmers Bank & Trust - Secured by company assets	6.95%	Monthly payments of $12,986; Due 10/27/27	636,689	-
Financing agreement - Komatsu - Secured by construction equipment	2.90%	Monthly payments from $2,732 to $4,870; Due 11/18/22	-	187,367

NOTE 5 DEBT ARRANGEMENTS - continued

Type	Interest Rate	Schedule of Payments	Balance 2022	Balance 2021
Financing agreement - Wells Fargo - Secured by construction equipment	4.1% - 5.9%	Monthly payments from $3,575 to 16,353; Due from 2/23/2022 to 6/25/2027	$ 2,119,754	$ 1,143,670
Financing agreement - John Deere Financial - Secured by construction equipment	2.15%	Monthly payments of $5,476; Due 3/9/2025	155,380	206,066
Financing agreement - Caterpillar - Secured by construction equipment	0% - 4.5%	Monthly payments from $353 to $13,721; Due from 6/11/2024 to 5/9/2027	2,115,496	1,553,045
Financing agreement - Enterprise Fleet - Secured by construction equipment	7.4% - 15.5%	Monthly payments from $547 to $2,260; Due from 4/29/2023 to 12/22/2026	1,296,754	-
			13,498,599	7,446,646
Less current maturities			2,516,274	4,444,562
			$ 10,982,325	$ 3,002,084

Maturities of long-term debt over each twelve month period following December 31, 2022 are as follows:

Year	Amount
2023	$ 2,516,274
2024	8,369,796
2025	1,479,437
2026	858,024
2027 and thereafter	275,068
	$ 13,498,599

NOTE 6 LEASES

The Company leases facilities and equipment under operating lease agreements that have initial terms ranging from two to twenty years. Some leases include one or more options to renew, generally at the Company's sole discretion, with renewal terms that can extend the lease term up to 6 years. In addition, certain leases contain termination options, where the rights to terminate are held by either the Company, the lessor or both parties. These options to extend or terminate a lease are included in the lease terms when it is reasonably certain that the Company will exercise that option. The Company's operating leases generally do not contain any material restrictive covenants or residual value guarantees.

The Company leases its Fairland and Lafayette locations from entities related through common ownership. The terms of the leases range from eighteen to twenty years each. The lease terms require monthly payments of $28,000 and $3,700 and expire September 1, 2041 and December 1, 2038, respectively. Both leases include a one-year renewal at the option of the Company. As allowable under ASU 2018-17, these common control arrangements are exempt from applying the variable interest entity consolidation model.

The Company also leases equipment under a finance lease agreement with a five year term and a 1.37% imputed interest rate. The Company's finance lease does not contain any material restrictive covenants or residual value guarantees.

Operating lease cost is recognized on a straight-line basis over the lease term. Finance lease cost is recognized as a combination of the amortization expense for the ROU assets and interest expense for the outstanding lease liabilities, and results in a front-loaded expense pattern over the lease term. The components of lease expense are as follows for the year ended December 31, 2022:

Operating lease cost - others	$ 984,639
Operating lease cost - related parties	380,543
Finance lease cost - amortization of right-of-use assets	47,963
Finance lease cost - interest expense on lease liabilities	2,721
Short-term lease cost	759,173
Total lease cost	$ 2,175,039

Other lease information:

Weighted-average remaining lease term - finance leases	3.6
Weighted-average remaining lease term - operating leases	14.0
Weighted-average discount rate - finance leases	1.37%
Weighted-average discount rate - operating leases	2.13%

NOTE 6 LEASES - continued

Maturities of operating lease liabilities as of December 31, 2022 are as follows:

	Facilities			
	Related Party	Others	Equipment	Total
Years ending:				
2023	$ 380,400	$ 113,773	$ 966,822	$ 1,460,995
2024	380,400	71,405	527,332	979,137
2025	380,400	73,547	363,203	817,150
2026	380,400	75,754	164,749	620,903
2027 and Thereafter	5,488,800	32,177	64,249	5,585,226
Total lease payments	7,010,400	366,656	2,086,355	9,463,411
Less imputed interest	(1,169,262)	(20,216)	(75,905)	(1,265,383)
Total present value of lease liabilities	$ 5,841,138	$ 346,440	$ 2,010,450	$ 8,198,028

Maturities of financing lease liabilities as of December 31, 2022 are as follows:

	Total
Years ending:	
2023	$ 50,466
2024	50,466
2025	50,466
2026	29,439
2027 and Thereafter	-
Total lease payments	180,837
Less imputed interest	(4,283)
Total present value of lease liabilities	$ 176,554

Maturities of lease liabilities, as determined under Topic 840, for all non-cancellable leases as of December 31, 2021 are as follows:

Years ending:	Operating Leases	Capital Leases
2022	$ 1,391,402	$ 1,030,099
2023	823,263	699,985
2024	495,185	518,694
2025	399,313	108,169
2026 and Thereafter	5,274,552	15,720
Total	$ 8,383,715	$ 2,372,667
Less imputed interest		(82,409)
Total present value of lease liabilities		$ 2,290,258
Obligations due within one year		1,030,099
Capital lease obligations, net of current maturities		$ 1,260,159

NOTE 6 LEASES - continued

Building lease expenses for facilities owned by related parties was $44,400 for 2021. Building lease expenses for facilities owned by unrelated parties was $209,066 for 2021. Total building lease expenses for 2021 amounted to $253,466.

The Company has acquired several items of property and equipment under financing terms characterized as long-term capital leases. The net book value of lease property as of December 31, 2021 is classified as follows:

Property and equipment	$	6,149,804
Less accumulated depreciation		1,304,883
Net book value	$	4,844,921

NOTE 7 RETIREMENT PLANS

ESOP and 401(k) Plan

The Company has a combined Employee Stock Ownership Plan ("ESOP") and 401(k) Plan (the "Plan"). The combined plan covers non-union employees, who meet certain eligibility requirements. Eligible employees had the one-time option for the ESOP to purchase corporate stock which the ESOP purchased 54,490 shares for $544,900 at that time and allocated to those employees. Since that time, the Company has redeemed 10,061 shares, which are reported in the Company's balance sheet as treasury stock. Since then, 5,991 treasury shares have been contributed back to the Plan to fund retirement contributions. Dividends paid to the ESOP are allocated to the cash accounts of the ESOP stockholders. The ESOP borrowed $165,200 in 2014 to purchase 14,000 shares of stock with a promissory note due to the Company, payable in 7 annual installments. The ESOP promissory note was informally extended during 2021, see Note 10. The Company pays distributions to the ESOP on unallocated shares, and the ESOP uses funds it receives to repay the loan. The Company received payments totaling $25,754 and $175,000 during the years ending December 31, 2022 and 2021, respectively. There were additional advances on the ESOP promissory note for redemptions totaling $0 and $127,136 by the Company in 2022 and 2021, respectively.

There were no distributions to the ESOP as of December 31, 2022 and 2021, respectively.

Annual matching contributions to the ESOP component are made at management's discretion. For 2022, the Company's ESOP matching contribution was equal to 100% of participant 401(k) contributions up to 1.5% of eligible compensation. For 2022 and 2021, there was no Company ESOP matching contribution. Annual matching contributions to the Plan component are at management's discretion. All contributions under the Plan component are invested in funds other than Company stock.

The Company's total contributions to the Plan were approximately $32,814 and $0 for the years ended December 31, 2022 and 2021, respectively.

NOTE 7 RETIREMENT PLANS - continued

ESOP and 401(k) Plan - continued
The ESOP cash accounts are maintained to help fund stock repurchases as ESOP stockholders exit employment and cash out their shares. Should the ESOP lack sufficient funds to redeem such ESOP stockholders, the Company would be required either to make contributions to the ESOP sufficient to fund such shortfall or to purchase the stock directly from the ESOP stockholder and retire the stock. At December 31, 2022 and 2021, the ESOP owned approximately 33.0% and 34.6% of the total outstanding Company stock, respectively.

Multi-employer Pension Plans
The Company contributes to several union-sponsored multi-employer pension plans under the terms of collective-bargaining agreements that cover its union-represented employees. The risks of participating in these multi-employer plans differ from single-employer plans. The potential risks include, but are not limited to, the Company may become obligated for other participating employers' unfunded obligations, the Pension Plan may use Company's contributions to provide benefits to employees of other participating employers and, upon withdrawal from a plan, the Company may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal penalty.

The Pension Protection Act of 2006 required substantially underfunded multi-employer pension plans to implement a funding improvement plan ("FIP") or a rehabilitation plan ("RP") to improve their funding status. An FIP or RP requires the plan to adopt measures to correct its underfunding status. These measures may include, but are not limited to: (a) an increase in the contribution rate as a signatory to the applicable collective bargain agreements, (b) a reallocation of the contributions already being made by participating employers for various benefits to individuals participating in the plan and/or (c) a reduction in the benefits paid to future and/or current retirees. In addition, the Act requires that a 5% surcharge be levied on employer contributions for the first year commencing shortly after the date the employer receives notice that the multi-employer pension plan is in critical status and a 10% surcharge on each succeeding year until a collective bargaining agreement is in place with terms and conditions consistent with the RP.

The plans in which the Company participated in the years ended December 31, 2022 and 2021 are summarized in the following table. The zone status included in the table is based on information that the Company received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are between 65 and 80 percent funded, and plans in the green zone are at least 80 percent funded. Unless otherwise noted, the most recent Pension Protection Act zone status available in 2022 is for the plan's year-end December 31, 2022.

NOTE 7 RETIREMENT PLANS - continued

Pension Fund	EIN/ Pension Plan Number	Contributions 2022	Contributions 2021	PPA Zone Status 2022	PPA Zone Status 2021
Indiana Laborers Pension Fund	35-6027150 / Plan 001	$ 516,059	$ 390,263	Green as of 6/1/2022	Green as of 6/1/2021
Midwest Operating Engineers Pension Trust fund	36-6140097 / Plan 001	897,970	615,191	Green as of 4/1/2022	Green as of 4/1/2021
Indiana Carpenters Pension Fund	35-6057648 / Plan 001	374,723	212,868	Yellow as of 1/1/2022	Yellow as of 1/1/2021

Pension Fund	EIN/ Pension Plan Number	Expiration Date of CBA	FIP/RP Status	Contributions Greater Than 5% of Total Plan Contributions	Surcharge Imposed
Indiana Laborers Pension Fund	35-6027150 / Plan 001	May 2025	N/A	No	No
Midwest Operating Engineers Pension Trust fund	36-6140097 / Plan 001	June 2023	N/A	No	No
Indiana Carpenters Pension Fund	35-6057648 / Plan 001	May 2024	Implemented	No	No

The Company also contributes to other collectively bargained multi-employer pension plans, but those contributions are insignificant.

NOTE 8 FEDERAL AND STATE INCOME TAXES

Deferred taxes relate primarily to temporary differences between depreciation of property and equipment for financial and income tax reporting purposes, net operating losses, and charitable contribution limitations. The deferred taxes represent the future tax consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

NOTE 8 FEDERAL AND STATE INCOME TAXES - continued

The net deferred tax provision (benefit) in the accompanying balance sheet includes the following amounts of deferred tax assets and liabilities at December 31 as follows:

	2022	2021
Deferred tax assets:		
Net operating loss	$ 125,050	$ 54,840
Charitable contribution carryforward	7,480	4,130
Current year taxable loss (income)	174,000	70,350
Charitable contribution	3,060	3,150
	309,590	132,470
Deferred tax liabilities:		
Property and equipment	(3,590)	(45,370)
Net deferred tax asset (liability)	$ 306,000	$ 87,100

These amounts have been presented in the Company's financial statements as follows:

	2022	2021
Non-current deferred tax assets	$ 309,590	$ 132,470
Non-current deferred tax liabilities	(3,590)	(45,370)
Net deferred tax asset (liability)	$ 306,000	$ 87,100

The provision for income taxes charged to operations for the years ended December 31, 2022 and 2021 consists of the following:

	2022	2021
Deferred tax provision (benefit):		
Federal	$ 177,490	$ 66,090
State	41,410	17,310
	$ 218,900	$ 83,400

NOTE 8 FEDERAL AND STATE INCOME TAXES - continued

MGMT's income tax provision differs from the amount of income tax benefit determined by applying the U.S. federal income tax rate to pretax income for the years ended December 31, 2022 and 2021 due to the following:

	2022	2021
Computed "expected" tax (expense) benefit	$ (131,860)	$ (50,200)
Increase (decrease) in income taxes resulting from:		
State income taxes, net of federal tax benefit	(36,540)	(13,900)
Non-deductible expenses	1,760	1,210
Under (over) accrued prior year income tax	-	-
Change in effective deferred income taxes	218,900	83,400
Other miscellaneous differences	166,640	62,890
Income Tax Benefit	$ 218,900	$ 83,400

NOTE 9 COMMITMENTS AND CONTINGENCIES

Contingencies
The Company may be involved from time to time in governmental or other proceedings and disputes, including environmental matters, considered by management to be incidental to the conduct of business. In the opinion of management, the ultimate outcome of these matters should not have a materially adverse effect upon the business or the financial position of the Company.

Surety Bonds
The Company, as conditions for entering into certain construction contracts, purchased surety bonds. The bonds are guaranteed by contracts receivable of the Company. The Company is contingently liable to a surety company under a general indemnity agreement. The Company agrees to indemnify the surety for any payments made on contracts of surety ship, guarantee, or indemnity. The Company believes that all contingent liabilities will be satisfied by their performance on the specific bonded contracts.

NOTE 10 TRANSACTIONS WITH RELATED PARTIES

On August 1, 2019, HIS sold units in Hydro Vac Services, LLC, d/b/a Groundbreakers ("HVS"), representing 51% of its ownership. In conjunction with this sale, HIS received a down payment of $350,000 and received a note receivable from the buyer with a 4% interest rate, reported as a long-term related party note receivable. The note is a three year note, with a balloon payment due on the third anniversary of the date of the note (August 1, 2022). The balance of the note receivable was $2,174,500 at December 31, 2020. The entirety of the balance was repaid as of April 30, 2021 with the sale of HIS' remaining 49% ownership in HVS.

NOTE 10 TRANSACTIONS WITH RELATED PARTIES - continued

As described in Note 7, in 2014, the Company loaned $165,000 to the ESOP plan for the redemption of 14,000 shares of HIS stock. This loan agreement requires annual installments over seven years with an interest rate of 2.74%, with a maturity date of March 31, 2021 and is secured by a stock pledge agreement. During the year ended December 31, 2020, two addendums were made to the loan agreement increasing the balance by $135,369 to purchase shares owned by former employees. As described in Note 7, in 2021, the promissory note was informally extended and there were additional advances on the note. The balance of this note was $187,678 and $213,431 at December 31, 2022 and 2021, respectively.

The Company leases its Fairland and Lafayette locations from entities related through common ownership. The terms of the leases range from eighteen to twenty years each. The lease terms require monthly payments of $28,000 and $3,700 and expire September 1, 2041 and December 1, 2038, respectively. Both leases include a one-year renewal at the option of the Company. As allowable under ASU 2018-17, these common control arrangements are exempt from applying the variable interest entity consolidation model. Total lease expense was $380,543 and $44,400 for each of the years ended December 31, 2022 and 2021, respectively.

The Company had a note receivable from an employee, secured with a promissory note. The balance outstanding of the note receivable was $0 and $94,347 at December 31, 2022 and 2021, respectively. The note accrued 5.0% simple interest with weekly payments and a maturity date of October 1, 2026. The note was paid off as of May 16, 2022.

The following is a schedule of other related-party year-end balances:

	2022	2021
Contract and other receivables	$ 3,204	$ 254,150
Accounts payable	28,000	-

NOTE 11 COVID AID, RELIEF AND ECONOMIC SECURITY ("CARES") ACT

Paycheck Protection Program

In March 2020, Congress established the Paycheck Protection Program ("PPP") to provide relief to small businesses during the coronavirus pandemic ("COVID-19") as part of the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. The legislation authorized the Treasury to use the Small Business Association's ("SBA's") 7(a) small business lending program to fund forgivable loans that qualifying businesses could spend to cover payroll, mortgage interest, rent, and utilities during the "Covered Period" defined as the 8-week period starting on the date the PPP loan proceeds are received. Upon meeting certain criteria as specified in the PPP program, the loans are eligible for partial or total forgiveness.

NOTE 11 COVID AID, RELIEF AND ECONOMIC SECURITY ("CARES") ACT - continued

Paycheck Protection Program - continued
On June 5, 2020, the PPP Flexibility Act of 2020 (the "Act") was signed into law, giving borrowers flexibility with certain criteria under the PPP program including extension of the Covered Period to 24 weeks from 8 weeks, reduction to 60% of the payroll costs requirements (previously 75%), extension of the payment deferral period, extension of the full-time equivalent ("FTE") restoration deadline to December 31, 2020, and safe harbor provisions to remove the FTE reduction in forgiveness under limited circumstances.

In June 2020, the AICPA issued Technical Question and Answer ("TQA") 3200.18, Borrower Accounting for a Forgivable Loan Received Under the Small Business Administration Paycheck Protection Program. The TQA addresses accounting for nongovernmental entities that are not Not-For-Profits, i.e. business entities, that believe the PPP loan represents, in substance, a grant that is expected to be forgiven, it may account for the loan as a deferred income liability. The TQA further states that if such an entity expects to meet the PPP's eligibility criteria and concludes that the PPP loan represents in substance, a grant that is expected to be forgiven, it may account for such PPP loans in accordance with FASB ASC 958-605 as a conditional contribution.

On January 11, 2021, the SBA announced a second draw of PPP loans with the same general loan terms as the first draw PPP loan. A borrower is generally eligible for a second draw PPP loan if the borrower: (1) previously received a first draw PPP loan and will or has used the full amount only for authorized uses; (2) has no more than 300 employees; and (3) can demonstrate at least a 25% reduction in gross receipts between comparable quarters in 2019 and 2020.

On April 1, 2021, the Company applied for and received second draws of PPP funds totaling $2,135,468. The loans mature on March 15, 2026 and have a 1.0% interest rate. All PPP loans were 100% forgiven as of October 22, 2021.

	Balance 12/31/2020	PPP Loan	Forgiven	Balance 12/31/2021
HIS	$ 1,345,675	$ 1,361,171	$ 2,706,846	$ -
MGMT	-	248,218	248,218	-
BRER	-	526,079	526,079	-
Total	$ 1,345,675	$ 2,135,468	$ 3,481,143	$ -

NOTE 11 COVID AID, RELIEF AND ECONOMIC SECURITY ("CARES") ACT - continued

Employee Retention Credit

The CARES Act provided an employee retention credit (CARES Employee Retention Credit "ERC") per employee for eligible employers. The tax credit is equal to 70% of qualified wages paid to employees during a quarter, capped at $10,000 of qualified wages per employee through December 31, 2021. Under this Act, the Company was eligible for a refundable ERC subject to certain criteria. The Company believes they have satisfied all criteria to be eligible for the ERC and have recognized the related receivable and income. The Company recognized a $1,156,806 employee retention credit during 2022, recognized as an other receivable for the ERC on the 2022 balance sheet and a component of other income on the income statement. Refunds requested on the 2021 Form 941-X Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund for the quarters ended March 31, 2021 and June 30, 2021 have been filed.

	Balance 12/31/2021	Credit Requested	Credit Received	Balance 12/31/2022
HIS	$ -	$ 614,306	$ -	$ 614,306
TRANSPORT	-	57,249		57,249
MGMT	-	247,994	-	247,994
BRER	-	237,257	-	237,257
Total	$ -	$ 1,156,806	$ -	$ 1,156,806

HIS CONSTRUCTORS, INC. AND SUBSIDIARIES AND AFFILIATES
CONSOLIDATING AND COMBINING BALANCE SHEET - continued
December 31, 2022
See Independent Auditor's Report

	HIS Constructors, Inc.	HIS Transport, LLC	Eliminations	Consolidated	HIS Management Corporation	Blue River Environmental and Restoration, Inc.	Eliminations	Consolidated and Combined
LIABILITIES AND STOCKHOLDERS' EQUITY/MEMBERS' CAPITAL								
CURRENT LIABILITIES								
Current maturities of long-term debt	$ 1,690,166	$ 161,880	$ -	$ 1,852,046	$ 664,228	$ -	$ -	$ 2,516,274
Current portion of operating lease liabilities	565,010	395,848	-	960,858	232,441	105,761	-	1,299,060
Current portion of finance lease obligations	-	48,404	-	48,404	-	-	-	48,404
Accounts payable	8,848,813	25,440	-	8,874,253	97,480	5,528,464	-	14,500,197
Accounts payable - related parties	13,311,879	3,639,217	(1,518,443)	15,432,653	6,611,775	188,603	(22,205,031)	28,000
Accrued salaries, wages and benefits	475,698	49,890	-	525,588	107,334	60,508	-	693,430
Accrued taxes	50,000	-	-	50,000	1,800	16,000	-	67,800
Accrued professional fees	60,000	-	-	60,000	12,000	250,707	-	322,707
Contract liabilities	1,926,118	-	-	1,926,118	-	55,831	-	1,981,949
TOTAL CURRENT LIABILITIES	26,927,684	4,320,679	(1,518,443)	29,729,920	7,727,058	6,205,874	(22,205,031)	21,457,821
LONG-TERM DEBT								
Bank lines of credit	-	-	-	-	6,427,518	-	-	6,427,518
Notes payable, less current maturities	3,339,903	495,434	-	3,835,337	719,470	-	-	4,554,807
Operating lease liabilities - noncurrent	1,296,603	356,859	-	1,653,462	5,004,827	240,679	-	6,898,968
Finance lease obligations, less current portion	-	128,150	-	128,150	-	-	-	128,150
	4,636,506	980,443	-	5,616,949	12,151,815	240,679	-	18,009,443
STOCKHOLDERS' EQUITY/MEMBERS' CAPITAL								
Common stock	155	-	-	155	100	-	-	255
Capital in excess of stated value	1,519,812	-	-	1,519,812	900	1,215,031	-	2,735,743
Members' capital (Deficit)	-	(2,353,498)	2,353,498	-	-	-	-	-
Retained earnings (Deficit)	2,784,416	-	-	2,784,416	(547,065)	10,317,685	-	12,555,036
	4,304,383	(2,353,498)	2,353,498	4,304,383	(546,065)	11,532,716	-	15,291,034
Less cost of shares acquired for treasury	84,088	-	-	84,088	-	-	-	84,088
	4,220,295	(2,353,498)	2,353,498	4,220,295	(546,065)	11,532,716	-	15,206,946
	$ 35,784,485	$ 2,947,624	$ 835,055	$ 39,567,164	$ 19,332,808	$ 17,979,269	$ (22,205,031)	$ 54,674,210

HIS CONSTRUCTORS, INC. AND SUBSIDIARIES AND AFFILIATES

CONSOLIDATING AND COMBINING STATEMENTS OF INCOME AND STOCKHOLDERS' EQUITY/MEMBERS' CAPITAL

Year ended December 31, 2022

See Independent Auditor's Report

	HIS Constructors, Inc.	HIS Transport, LLC	Eliminations	Consolidated	HIS Management Corporation	Blue River Environmental and Restoration, Inc.	Eliminations	Consolidated and Combined
Revenues earned	$ 55,975,701	$ 2,397,112	$ (2,204,920)	$ 56,167,893	$ -	$ 21,439,121	$ (1,166,800)	$ 76,440,214
Cost of revenues earned	51,826,304	2,751,198	(2,204,920)	52,372,582	-	15,709,597	(1,166,800)	66,915,379
GROSS PROFIT	4,149,397	(354,086)	-	3,795,311	-	5,729,524	-	9,524,835
Operating expenses:								
Selling and administrative	1,602,797	54,740	-	1,657,537	4,884,624	1,928,023	-	8,470,184
OPERATING INCOME (LOSS)	2,546,600	(408,826)	-	2,137,774	(4,884,624)	3,801,501	-	1,054,651
Other income (expense):								
Management fees	(2,477,259)	(158,535)	-	(2,635,794)	4,811,867	(2,176,073)	-	-
Gain (loss) on sale of assets	(128,216)	-	-	(128,216)	(19,562)	-	-	(147,778)
Interest expense	(352,895)	(31,449)	-	(384,344)	(325,222)	(43)	-	(709,609)
Other	1,110,339	16,826	-	1,127,165	196,182	285,896	-	1,609,243
	(1,848,031)	(173,158)	-	(2,021,189)	4,663,265	(1,890,220)	-	751,856
NET INCOME (LOSS) BEFORE INCOME TAXES AND EQUITY IN NET EARNINGS IN INVESTEE COMPANIES	698,569	(581,984)	-	116,585	(221,359)	1,911,281	-	1,806,507
Benefit (Provision) for income taxes	-	-	-	-	218,900	-	-	218,900
NET INCOME (LOSS) BEFORE EQUITY IN NET EARNINGS IN INVESTEE COMPANIES	698,569	(581,984)	-	116,585	(2,459)	1,911,281	-	2,025,407
Equity in net earnings (losses) of investee companies	(581,984)	-	581,984	-	-	-	-	-
NET INCOME (LOSS)	116,585	(581,984)	581,984	116,585	(2,459)	1,911,281	-	2,025,407
STOCKHOLDERS' EQUITY/MEMBERS' CAPITAL								
Beginning of year	4,184,919	(1,771,514)	1,771,514	4,184,919	(543,606)	9,760,324	-	13,401,637
Purchase of treasury stock	(81,209)	-	-	(81,209)	-	-	-	(81,209)
Distributions	-	-	-	-	-	(138,889)	-	(138,889)
End of year	$ 4,220,295	$ (2,353,498)	$ 2,353,498	$ 4,220,295	$ (546,065)	$ 11,532,716	$ -	$ 15,206,946

HIS CONSTRUCTORS, INC. AND SUBSIDIARIES AND AFFILIATES
CONSOLIDATING AND COMBINING STATEMENTS OF CASH FLOWS
Year ended December 31, 2022
See Independent Auditor's Report

	HIS Constructors, Inc.	HIS Transport, LLC	Eliminations	Consolidated	HIS Management Corporation	Blue River Environmental and Restoration, Inc.	Eliminations	Consolidated and Combined
CASH FLOWS FROM OPERATING ACTIVITIES								
Net income (loss)	$ 116,585	$ (581,984)	$ 581,984	$ 116,585	$ (2,459)	$ 1,911,281	$ -	$ 2,025,407
Adjustments to reconcile net income to net cash provided by operating activities:								
Depreciation	1,424,182	246,161	-	1,670,343	103,118	189,620	-	1,963,081
Amortization of right-of-use assets	-	47,963	-	47,963	-	-	-	47,963
(Gain) loss on sale of assets	128,216	-	-	128,216	19,562	-	-	147,778
Net loss (earnings) of investee companies	581,984	-	(581,984)	-	-	-	-	-
Changes in assets and liabilities:								
(Increase) decrease in:								
Accounts receivable	1,885,518	(507,372)	430,581	1,808,727	(8,274,025)	(59,647)	13,027,041	6,302,096
Inventory	(1,341,501)	-	-	(1,341,501)	-	11,526	-	(1,329,975)
Contract assets	(6,570,131)	-	-	(6,570,131)	-	90,926	-	(6,479,205)
Prepaids and other	(47,262)	2,120	-	(45,142)	124,689	4,345	-	83,892
Deferred income taxes	-	-	-	-	(218,900)	-	-	(218,900)
Increase (decrease) in:								
Accounts payable	9,690,004	1,239,527	(430,581)	10,498,950	5,129,075	(1,030,971)	(13,027,041)	1,570,013
Operating lease obligations	(8,385)	-	-	(8,385)	27,684	19,894	-	39,193
Finance lease obligations	-	20,399	-	20,399	-	-	-	20,399
Accrued salaries, wages and benefits	231,875	19,477	-	251,352	12,282	15,516	-	279,150
Other accrued expenses	60,000	-	-	60,000	(63,000)	250,707	-	247,707
Accrued taxes	(17,312)	-	-	(17,312)	(1,200)	(2,500)	-	(21,012)
Contract liabilities	(2,725,571)	-	-	(2,725,571)	-	(1,163,680)	-	(3,889,251)
Net cash provided by (used in) operating activities	3,208,202	486,291	-	3,694,493	(3,143,174)	237,017	-	788,336
CASH FLOWS FROM INVESTING ACTIVITIES								
Payments from notes receivable	25,753	-	-	25,753	94,347	-	-	120,100
Proceeds from sale of assets	205,997	-	-	205,997	-	-	-	205,997
Purchase of property and equipment	(1,116,942)	(283,362)	-	(1,400,304)	(405,886)	(90,568)	-	(1,896,758)
Net cash provided by (used in) investing activities	(885,192)	(283,362)	-	(1,168,554)	(311,539)	(90,568)	-	(1,570,661)
CASH FLOWS FROM FINANCING ACTIVITIES								
Payments on line of credit	-	-	-	-	(65,364,012)	-	-	(65,364,012)
Borrowings on line of credit	-	-	-	-	68,791,280	-	-	68,791,280
Proceeds from long-term debt	-	-	-	-	655,000	-	-	655,000
Principal payments on long-term debt	(1,935,132)	(155,183)	-	(2,090,315)	(627,550)	(7,560)	-	(2,725,425)
Payments on finance leases	-	(47,746)	-	(47,746)	-	-	-	(47,746)
Purchase of treasury stock	(81,209)	-	-	(81,209)	-	-	-	(81,209)
Distributions paid	(306,669)	-	-	(306,669)	-	(138,889)	-	(445,558)
Net cash provided by (used in) financing activities	(2,323,010)	(202,929)	-	(2,525,939)	3,454,718	(146,449)	-	782,330
Increase (decrease) in cash and equivalents	-	-	-	-	5	-	-	5
CASH AND EQUIVALENTS								
Beginning	-	-	-	-	-	-	-	-
Ending	$ -	$ -	$ -	$ -	$ 5	$ -	$ -	$ 5
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION								
Cash payments for interest	$ 352,895	$ 31,449	$ -	$ 384,344	$ 325,222	$ 43	$ -	$ 709,609
Cash paid for amounts included in measurement of lease liabilities:								
Operating cash outflows - payments on operating leases	$ 624,277	$ 259,357	$ -	$ 883,634	$ 228,052	$ 89,029	$ -	$ 1,200,715
Operating cash outflows - payments on finance leases	-	2,721	-	2,721	-	-	-	2,721
Financing cash outflows - payments on operating leases	-	47,746	-	47,746	-	-	-	47,746
	$ 624,277	$ 309,824	$ -	$ 934,101	$ 228,052	$ 89,029	$ -	$ 1,251,182
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES								
Acquisition of equipment financed with long-term debt	$ 2,609,231	$ -	$ -	$ 2,609,231	$ -	$ -	$ -	$ 2,609,231
Right-of-use assets obtained in exchange for new lease obligations:								
Operating leases	$ 2,477,073	$ 1,001,847	$ -	$ 3,478,920	$ 5,437,569	$ 421,468	$ -	$ 9,337,957

HIS CONSTRUCTORS, INC. AND SUBSIDIARIES AND AFFILIATES
CONSOLIDATING AND COMBINING BALANCE SHEET - continued
December 31, 2021
See Independent Auditor's Report

	HIS Constructors, Inc.	HIS Transport, LLC	Eliminations	Consolidated	HIS Management Corporation	Blue River Environmental and Restoration, Inc.	Eliminations	Consolidated and Combined
LIABILITIES AND STOCKHOLDERS' EQUITY/MEMBERS' CAPITAL								
CURRENT LIABILITIES								
Current maturities of long-term debt	$ 670,729	$ 155,182	$ -	$ 825,911	$ 3,611,091	$ 7,560	$ -	$ 4,444,562
Current portion of capital lease obligations	982,935	47,165	-	1,030,100	-	-	-	1,030,100
Accounts payable	5,944,204	50,762	-	5,994,966	46,694	6,681,358	-	12,723,018
Accounts payable - related parties	6,291,319	2,374,368	(1,087,862)	7,577,825	1,533,485	66,680	(9,177,990)	-
Interest payable	3,923	-	-	3,923	-	-	-	3,923
Accrued salaries, wages and benefits	243,823	30,413	-	274,236	95,052	44,992	-	414,280
Accrued taxes	67,312	-	-	67,312	3,000	18,500	-	88,812
Accrued distributions	306,669	-	-	306,669	-	-	-	306,669
Accrued professional fees	-	-	-	-	75,000	-	-	75,000
Contract liabilities	4,651,689	-	-	4,651,689	-	1,219,511	-	5,871,200
TOTAL CURRENT LIABILITIES	19,162,603	2,657,890	(1,087,862)	20,732,631	5,364,322	8,038,601	(9,177,990)	24,957,564
LONG-TERM DEBT								
Bank lines of credit	-	-	-	-	745,407	-	-	745,407
Notes payable, less current maturities	1,599,362	657,315	-	2,256,677	-	-	-	2,256,677
Capital lease obligations, less current portion	1,102,944	157,215	-	1,260,159	-	-	-	1,260,159
	2,702,306	814,530	-	3,516,836	745,407	-	-	4,262,243
STOCKHOLDERS' EQUITY/MEMBERS' CAPITAL								
Common stock	155	-	-	155	100	-	-	255
Capital in excess of stated value	1,519,812	-	-	1,519,812	900	1,215,031	-	2,735,743
Members' capital	-	(1,771,514)	1,771,514	-	-	-	-	-
Retained earnings	2,667,831	-	-	2,667,831	(544,606)	8,545,293	-	10,668,518
	4,187,798	(1,771,514)	1,771,514	4,187,798	(543,606)	9,760,324	-	13,404,516
Less cost of shares acquired for treasury	2,879	-	-	2,879	-	-	-	2,879
	4,184,919	(1,771,514)	1,771,514	4,184,919	(543,606)	9,760,324	-	13,401,637
	$ 26,049,828	$ 1,700,906	$ 683,652	$ 28,434,386	$ 5,566,123	$ 17,798,925	$ (9,177,990)	$ 42,621,444

HIS CONSTRUCTORS, INC. AND SUBSIDIARIES AND AFFILIATES

CONSOLIDATING AND COMBINING STATEMENTS OF INCOME AND STOCKHOLDERS' EQUITY/MEMBERS' CAPITAL

Year ended December 31, 2021

See Independent Auditor's Report

	HIS Constructors, Inc.	HIS Transport, LLC	Eliminations	Consolidated	HIS Management Corporation	Blue River Environmental and Restoration, Inc.	Eliminations	Consolidated and Combined
Revenues earned	$ 37,440,969	$ 1,076,392	$ (914,652)	$ 37,602,709	$ -	$ 23,430,086	$ (1,747,309)	$ 59,285,486
Cost of revenues earned	37,505,132	1,956,218	(914,652)	38,546,698	-	15,968,564	(1,747,309)	52,767,953
GROSS PROFIT	(64,163)	(879,826)	-	(943,989)	-	7,461,522	-	6,517,533
Operating expenses:								
Selling and administrative	671,224	28,526	-	699,750	4,895,840	2,031,032	-	7,626,622
OPERATING INCOME (LOSS)	(735,387)	(908,352)	-	(1,643,739)	(4,895,840)	5,430,490	-	(1,109,089)
Other income (expense):								
Management fees	(2,893,212)	(120,000)	-	(3,013,212)	4,069,716	(1,056,504)	-	-
Gain (loss) on sale of assets	1,630,813	98,403	-	1,729,216	-	-	-	1,729,216
Interest expense	(155,589)	(16,665)	-	(172,254)	(234,182)	(1,411)	-	(407,847)
PPP loan forgiveness	2,706,846	-	-	2,706,846	248,218	526,079	-	3,481,143
Other	138,850	32,941	-	171,791	2,699	6,790	-	181,280
	1,427,708	(5,321)	-	1,422,387	4,086,451	(525,046)	-	4,983,792
NET INCOME (LOSS) BEFORE INCOME TAXES AND EQUITY IN NET EARNINGS IN INVESTEE COMPANIES	692,321	(913,673)	-	(221,352)	(809,389)	4,905,444	-	3,874,703
Benefit (Provision) for income taxes	-	-	-	-	83,400	-	-	83,400
NET INCOME (LOSS) BEFORE EQUITY IN NET EARNINGS IN INVESTEE COMPANIES	692,321	(913,673)	-	(221,352)	(725,989)	4,905,444	-	3,958,103
Equity in net earnings (losses) of investee companies	(864,869)	-	913,673	48,804	-	-	-	48,804
NET INCOME (LOSS)	(172,548)	(913,673)	913,673	(172,548)	(725,989)	4,905,444	-	4,006,907
STOCKHOLDERS' EQUITY/MEMBERS' CAPITAL								
Beginning of year	4,919,730	388,252	(388,252)	4,919,730	182,383	5,166,880	-	10,268,993
Distributions	(562,263)	(1,246,093)	1,246,093	(562,263)	-	(312,000)	-	(874,263)
End of year	$ 4,184,919	$ (1,771,514)	$ 1,771,514	$ 4,184,919	$ (543,606)	$ 9,760,324	$ -	$ 13,401,637

HIS CONSTRUCTORS, INC. AND SUBSIDIARIES AND AFFILIATES
CONSOLIDATING AND COMBINING STATEMENTS OF CASH FLOWS
Year ended December 31, 2021
See Independent Auditor's Report

	HIS Constructors, Inc.	HIS Transport, LLC	Eliminations	Consolidated	HIS Management Corporation	Blue River Environmental and Restoration, Inc.	Eliminations	Consolidated and Combined
CASH FLOWS FROM OPERATING ACTIVITIES								
Net income (loss)	$ (172,548)	$ (913,673)	$ 913,673	$ (172,548)	$ (725,989)	$ 4,905,444	$ -	$ 4,006,907
Adjustments to reconcile net income to net cash provided by operating activities:								
Depreciation	943,292	260,111	-	1,203,403	91,668	241,288	-	1,536,359
(Gain) on sale of assets	(55,349)	(99,403)	-	(154,752)	-	-	-	(154,752)
Loss (gain) on investee companies	(1,575,464)	-	-	(1,575,464)	-	-	-	(1,575,464)
Paycheck protection loan forgiveness	(2,706,846)	-	-	(2,706,846)	(248,218)	(526,079)	-	(3,481,143)
Net loss (earnings) of investee companies	864,869	-	(913,673)	(48,804)	-	-	-	(48,804)
Changes in assets and liabilities:								
(Increase) decrease in:								
Accounts receivable	(5,753,132)	(218,050)	163,747	(5,807,435)	2,058,228	(6,778,124)	(395,683)	(10,923,014)
Inventory	(199,233)	-	-	(199,233)	-	(6,824)	-	(206,057)
Contract assets	(3,707,644)	-	-	(3,707,644)	-	232,809	-	(3,474,835)
Prepaids and other	1,820	4,829	-	6,649	68,415	-	-	75,064
Deferred income taxes	-	-	-	-	(83,400)	-	-	(83,400)
Increase (decrease) in:								
Accounts payable	3,131,344	551,906	(163,747)	3,519,503	1,494,845	729,068	395,683	6,139,099
Accrued salaries, wages and benefits	118,519	24,268	-	142,787	21,448	(7,607)	-	156,628
Other accrued expenses	-	-	-	-	75,000	-	-	75,000
Accrued taxes	(1,688)	-	-	(1,688)	-	12,000	-	10,312
Contract liabilities	3,366,357	-	-	3,366,357	-	974,001	-	4,340,358
Net cash provided by (used in) operating activities	(5,745,703)	(390,012)	-	(6,135,715)	2,751,997	(224,024)	-	(3,607,742)
CASH FLOWS FROM INVESTING ACTIVITIES								
Advances on notes receivable	(127,135)	-	-	(127,135)	(100,000)	-	-	(227,135)
Payments from notes receivable	2,349,500	-	-	2,349,500	5,653	-	-	2,355,153
Distribution received from investee companies	1,294,897	-	(1,246,093)	48,804	-	-	-	48,804
Proceeds from sale of assets	2,879,625	1,739,848	-	4,619,473	-	-	-	4,619,473
Purchase of property and equipment	(233,379)	(90,743)	-	(324,122)	(27,247)	(80,502)	-	(431,871)
Net cash provided by (used in) investing activities	6,163,508	1,649,105	(1,246,093)	6,566,520	(121,594)	(80,502)	-	6,364,424
CASH FLOWS FROM FINANCING ACTIVITIES								
Payments on line of credit	-	-	-	-	(29,881,251)	-	-	(29,881,251)
Borrowings on line of credit	-	-	-	-	27,585,479	-	-	27,585,479
Proceeds from long-term debt	1,361,171	-	-	1,361,171	248,218	526,079	-	2,135,468
Principal payments on long-term debt	(597,461)	(69,005)	-	(666,466)	(582,849)	(44,189)	-	(1,293,504)
Payments on capital leases	(1,170,383)	(31,443)	-	(1,201,826)	-	-	-	(1,201,826)
Distributions paid	(293,310)	(1,246,093)	1,246,093	(293,310)	-	(312,000)	-	(605,310)
Net cash provided by (used in) financing activities	(699,983)	(1,346,541)	1,246,093	(800,431)	(2,630,403)	169,890	-	(3,260,944)
Increase (decrease) in cash and equivalents	(282,178)	(87,448)	-	(369,626)	-	(134,636)	-	(504,262)
CASH AND EQUIVALENTS								
Beginning	282,178	87,448	-	369,626	-	134,636	-	504,262
Ending	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION								
Cash payments for interest	$ 155,589	$ 16,665	$ -	$ 172,254	$ 234,182	$ 1,411	$ -	$ 407,847
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES								
Acquisition of equipment financed with long-term debt	$ 2,308,349	$ 1,156,502	$ -	$ 3,464,851	$ -	$ -	$ -	$ 3,464,851
Acquisition of equipment with capital lease obligations	$ 369,170	$ 235,823	$ -	$ 604,993	$ -	$ -	$ -	$ 604,993

HIS CONSTRUCTORS, INC. AND SUBSIDIARIES AND AFFILIATES
COMBINED SCHEDULE OF CONSTRUCTION IN PROGRESS
DECEMBER 31, 2022
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		JOB TO DATE AS OF DECEMBER 31, 2022				COST AND ESTIMATED EARNINGS IN EXCESS OF BILLINGS	BILLINGS IN EXCESS OF COSTS & ESTIMATED EARNINGS	DURING THE YEAR ENDED DECEMBER 31, 2022		
JOB#	TOTAL CONTRACT	BILLED TO DATE	REVENUE EARNED	COST OF REVENUE	GROSS PROFIT (LOSS)			EARNED REVENUE	COST OF REVENUE	GROSS PROFIT (LOSS)
HIS Constructors, Inc.:										
210025	$ 22,540,701	$ 11,045,675	$ 14,222,009	$ 12,540,090	$ 1,681,919	$ 3,176,334	$ -	$ 13,402,196	$ 11,777,434	$ 1,624,762
160001	7,558,608	7,558,608	7,053,546	4,964,521	2,089,025	-	(505,061)	-	-	-
220017	6,385,062	671,200	148,739	116,474	32,265	-	(522,461)	148,739	116,474	32,265
200037	5,432,398	4,055,988	5,392,947	6,825,073	(1,432,126)	1,336,960	-	1,334,058	2,023,836	(689,778)
220007	5,110,133	724,563	658,952	606,065	52,887	-	(65,611)	658,952	606,065	52,887
180009	4,948,796	4,948,796	4,948,513	4,150,494	798,019	-	(283)	-	-	-
200042	4,380,319	4,452,102	4,380,319	4,982,909	(602,590)	-	(71,783)	1,042,379	2,005,102	(962,723)
210021	4,360,000	3,835,306	4,314,149	3,293,140	1,021,009	478,843	-	1,603,509	1,687,881	(84,372)
220016	4,126,784	442,329	425,209	380,656	44,553	-	(17,120)	425,209	380,656	44,553
200046	3,993,194	3,923,234	3,993,194	3,743,186	250,008	69,960	-	1,833,178	1,888,623	(55,445)
220006	3,912,823	3,634,140	3,912,823	3,976,800	(63,977)	278,683	-	3,912,823	3,976,800	(63,977)
220003	3,548,980	929,455	2,513,670	2,266,495	247,175	1,584,216	-	2,513,670	2,266,495	247,175
210026	2,917,523	616,638	1,561,983	1,455,602	106,381	945,345	-	1,557,735	1,451,774	105,961
200041	2,606,391	1,874,991	2,178,082	2,005,607	172,475	303,091	-	1,531,333	1,414,698	116,635
200048	2,524,633	2,258,646	2,524,633	2,728,327	(203,694)	265,987	-	315,853	258,068	57,785
220004	2,393,805	1,443,518	2,204,217	2,464,790	(260,573)	760,699	-	2,204,217	2,464,790	(260,573)
210023	2,348,780	2,342,889	2,348,780	2,186,505	162,275	5,891	-	2,243,770	2,088,775	154,995
200036	2,288,141	2,176,172	2,288,141	1,388,316	899,825	111,969	-	2,152,736	1,266,340	886,396
220015	1,853,865	556,130	141,278	60,356	80,922	-	(414,852)	141,278	60,356	80,922
Blue River Environmental and Restoration Services, Inc.:										
223026	4,921,648	4,921,648	4,916,370	3,726,046	1,190,324	-	(5,278)	4,916,370	3,726,046	1,190,324
223014	2,360,463	2,360,463	2,328,276	1,519,459	808,817	-	(32,188)	2,328,276	1,519,459	808,817
Contracts under $1,000,000	5,454,793	3,152,295	3,676,727	3,519,591	157,136	543,083	(18,653)	3,008,033	2,898,290	109,743
	$ 105,967,840	$ 67,924,786	$ 76,132,557	$ 68,900,502	$ 7,232,055	$ 9,861,061	$ (1,653,290)	$ 47,274,314	$ 43,877,962	$ 3,396,352

HIS CONSTRUCTORS, INC. AND SUBSIDIARIES AND AFFILIATES
COMBINED SCHEDULE OF COMPLETED CONTRACTS
DECEMBER 31, 2022
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	CONTRACT TOTALS			BEFORE JANUARY 1, 2022			DURING THE YEAR ENDED DECEMBER 31, 2022		
JOB#	REVENUE	COST OF REVENUE	GROSS PROFIT (LOSS)	REVENUE	COST OF REVENUE	GROSS PROFIT (LOSS)	EARNED REVENUE	COST OF REVENUE	GROSS PROFIT (LOSS)
HIS Constructors, Inc.:									
180027	$ 23,149,879	$ 18,906,262	$ 4,243,617	$ 23,143,886	$ 18,873,751	$ 4,270,135	$ 5,994	$ 32,511	$ (26,517)
210020	10,573,215	8,261,793	2,311,422	2,681,546	2,425,437	256,109	7,891,669	5,836,356	2,055,313
160046	3,498,251	4,066,697	(568,446)	3,498,251	4,066,697	(568,446)	-	-	-
200005	3,478,387	3,005,499	472,888	3,478,387	3,004,688	473,699	-	811	(811)
170009	2,702,155	2,683,477	18,678	2,702,155	2,683,477	18,678	-	-	-
200043	2,328,820	2,685,894	(357,074)	2,419,852	2,684,319	(264,467)	(91,032)	1,575	(92,607)
190020	2,306,157	1,672,743	633,414	2,306,157	1,672,743	633,414	-	-	-
200015	2,117,402	2,042,681	74,721	2,117,402	2,042,681	74,721	-	-	-
200035	1,987,680	2,502,655	(514,975)	2,307,720	2,407,646	(99,926)	(320,040)	95,009	(415,049)
180010	1,982,822	2,047,971	(65,149)	1,982,822	2,047,971	(65,149)	-	-	-
210007	1,976,007	1,939,739	36,268	1,902,417	1,906,506	(4,089)	73,591	33,233	40,358
200006	1,970,766	1,229,202	741,564	1,792,816	1,202,418	590,398	177,950	26,784	151,166
190022	1,899,698	1,636,300	263,398	1,899,698	1,637,032	262,666	-	(732)	732
190037	1,879,198	1,887,589	(8,391)	1,879,198	1,887,589	(8,391)	-	-	-
210013	1,806,655	1,572,230	234,425	1,342,961	1,111,670	231,291	463,694	460,560	3,134
190013	1,551,265	1,642,161	(90,896)	1,551,265	1,642,161	(90,896)	-	-	-
210011	1,402,351	858,026	544,325	268,364	220,290	48,074	1,133,987	637,736	496,251
200010	1,367,911	811,883	556,028	1,183,386	1,183,386	-	184,525	(371,503)	556,028
190026	1,365,236	1,033,436	331,800	1,365,236	1,033,436	331,800	-	-	-
180030	1,364,223	1,297,465	66,758	1,364,223	1,297,465	66,758	-	-	-
180007	1,344,117	1,130,509	213,608	1,344,117	1,130,509	213,608	-	-	-
190039	1,329,869	1,073,208	256,661	1,329,869	1,073,208	256,661	-	-	-
200004	1,301,871	1,197,516	104,355	1,289,780	1,191,837	97,943	12,091	5,679	6,412
210014	1,259,961	1,135,702	124,259	277,661	246,017	31,644	982,300	889,685	92,615
210027	1,155,767	1,161,717	(5,950)	82	78	4	1,155,685	1,161,639	(5,954)
180033	1,145,566	903,914	241,652	1,145,566	903,914	241,652	-	-	-
180016	1,115,848	1,012,626	103,222	1,173,848	1,057,531	116,317	(58,000)	(44,905)	(13,095)
190030	1,035,034	868,858	166,176	1,035,034	868,858	166,176	-	-	-
Blue River Environmental and Restoration Services, Inc.:									
201448-WTR	12,044,173	7,134,891	4,909,282	11,475,102	7,140,364	4,334,738	569,071	(5,473)	574,544
210027	4,249,861	2,387,012	1,862,849	4,040,063	2,399,803	1,640,260	209,798	(12,791)	222,589
180033	4,032,487	2,185,648	1,846,839	3,342,234	1,336,069	2,006,165	690,253	849,579	(159,326)
180016	2,337,869	1,764,542	573,327	-	-	-	2,337,869	1,764,542	573,327
190030	1,589,356	1,316,054	273,302	-	-	-	1,589,356	1,316,054	273,302
Contracts under $1,000,000	38,162,399	30,316,096	7,846,303	28,076,633	23,566,417	4,510,216	9,687,123	6,749,680	2,937,443
	$ 142,812,256	$ 115,371,996	$ 27,440,260	$ 115,717,731	$ 95,945,968	$ 19,771,763	$ 26,695,884	$ 19,426,029	$ 7,269,855