



RIDER KENLEY & ASSOCIATES

**PATRIOT ENGINEERING AND
ENVIRONMENTAL, INC.
CONSOLIDATED FINANCIAL
STATEMENTS
(S CORPORATION)
12/31/20 AND 12/31/19**

CERTIFIED PUBLIC ACCOUNTANTS

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A PROFESSIONAL CORPORATION

9755 RANDALL DRIVE • SUITE 100 • CARMEL, IN 46280 • 317-582-3000 • FAX 317-582-3010

**PATRIOT ENGINEERING AND ENVIRONMENTAL, INC.
AND SUBSIDIARY**

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DECEMBER 31, 2020 AND 2019**

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**To the Board of Directors and Stockholders
Patriot Engineering and Environmental, Inc.
Indianapolis, Indiana 46250**

Management is responsible for the accompanying financial statements of Patriot Engineering and Environmental, Inc. (an S Corporation), which comprise the consolidated balances sheets as of December 31, 2020 and December 31, 2019, and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the consolidated financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these consolidated financial statements.

Accounting principles generally accepted in the United States of America require the primary beneficiary of a variable interest entity to consolidate the variable interest entity in its financial statements. Management has informed us that the Company's financial statements do not include the accounts of Patriot Engineering and Environmental, LLC and Patriot Testing & Inspection, LLC. The Company has determined these entities are variable interest entities in which the Company holds a variable interest and is the primary beneficiary. The effects of this departure from accounting principles generally accepted in the United States of America on the consolidated financial statements have not been determined.

Management has elected to omit substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the consolidated financial statements, they might influence the user's conclusions about the Company's financial position, results of operations, and cash flows. Accordingly, the consolidated financial statements are not designed for those who are not informed about such matters.

The supplementary information contained on page 8 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. The supplementary information has been compiled from information that is the representation of management. We have not audited or reviewed the supplementary information and, accordingly, do not express an opinion or provide any assurance on such supplementary information.

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Patriot Engineering and Environmental, Inc., with the consent of its stockholders, has elected under the Internal Revenue Code to be taxed as an S Corporation. In lieu of corporate income taxes, the stockholders of an S corporation are taxed on their proportionate share of the Company's taxable income. Accordingly, no provision for current or deferred income taxes has been included in the accompanying consolidated financial statements.

Rider Kenley & Associates

Rider Kenley & Associates

Indianapolis, Indiana

February 13, 2021

**PATRIOT ENGINEERING AND ENVIRONMENTAL, INC.
AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
December 31, 2020 and 2019**

ASSETS

	<u>2020</u>	<u>2019</u>
Current Assets:		
Cash	\$ 268,960	\$ 0
Accounts receivable, net:		
Billed	4,768,659	4,552,893
Unbilled	604,774	922,927
Total accounts receivable	5,373,433	5,475,820
Prepaid expenses	227,442	580,947
Other current assets	246,499	22,402
Total current assets	6,116,334	6,079,169
Property and Equipment:		
Furniture and fixtures	175,932	264,570
Equipment	3,540,847	4,041,267
Automobiles	1,586,750	1,710,307
Building	1,286,712	1,286,711
Leasehold improvements	80,585	83,492
Total property and equipment	6,670,826	7,386,347
Accumulated depreciation	(4,217,832)	(4,669,195)
Net property and equipment	2,452,994	2,717,152
Other Assets:		
Advances to related party	3,878	334,538
Other assets	17,632	48,657
Total other assets	21,510	383,195
Total assets	\$ 8,590,838	\$ 9,179,516

See compilation report of independent accountants.

**PATRIOT ENGINEERING AND ENVIRONMENTAL, INC.
AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
December 31, 2020 and 2019**

LIABILITIES AND STOCKHOLDERS' EQUITY

	<u>2020</u>	<u>2019</u>
Current Liabilities:		
Accounts payable	\$ 179,829	\$ 176,422
Due to bank	0	11,935
Accrued wages and taxes	443,674	481,602
Accrued vacation	277,893	564,030
Unearned revenue	146,465	166,757
Line of credit	2,036,089	3,017,228
Current portion long-term debt	319,398	584,502
Other current liabilities	<u>72,277</u>	<u>61,626</u>
Total current liabilities	<u>3,475,625</u>	<u>5,064,102</u>
Long-Term Liabilities:		
Notes payable - stockholder	872,076	896,924
Loans payable	82,172	644,799
Less: current portion long-term debt	<u>(319,398)</u>	<u>(584,502)</u>
Total long-term liabilities	<u>634,850</u>	<u>957,221</u>
Total liabilities	<u>4,110,475</u>	<u>6,021,323</u>
Stockholders' Equity:		
Common stock	1,532,414	1,766,755
Retained earnings	<u>2,947,949</u>	<u>1,391,438</u>
Total stockholders' equity	<u>4,480,363</u>	<u>3,158,193</u>
Total liabilities and stockholders' equity	<u>\$ 8,590,838</u>	<u>\$ 9,179,516</u>

See compilation report of independent accountants.

**PATRIOT ENGINEERING AND ENVIRONMENTAL, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME/(LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>Percent</u>	<u>2019</u>	<u>Percent</u>
Revenue	\$ 17,849,870	100.00 %	\$ 19,061,729	100.00 %
Less: subcontract expenses	<u>4,288,694</u>	<u>24.03</u>	<u>4,773,716</u>	<u>25.04</u>
Net revenue	13,561,176	75.97	14,288,013	74.96
Direct expenses				
Wages	4,418,271	24.75	5,122,384	26.87
Payroll taxes	330,196	1.85	404,615	2.12
Materials	179,345	1.00	221,700	1.16
Billable meals and travel	476,274	2.67	599,362	3.14
Depreciation	254,106	1.42	263,534	1.38
Repairs and maintenance	49,401	0.28	58,064	0.30
Equipment rental	35,778	0.20	50,080	0.26
Other	<u>28,379</u>	<u>0.16</u>	<u>24,721</u>	<u>0.13</u>
Total direct expenses	<u>5,771,750</u>	<u>32.32</u>	<u>6,744,460</u>	<u>35.40</u>
Gross profit	<u>7,789,426</u>	<u>43.66</u>	<u>7,543,553</u>	<u>39.56</u>
Administrative expenses	<u>7,697,730</u>	<u>43.12</u>	<u>8,081,091</u>	<u>42.39</u>
Income/(loss) from operations	91,696	0.53	(537,538)	(2.81)
Other Income/(Expense):				
Interest expense	(109,402)	(0.61)	(181,914)	(0.95)
Vendor discounts	7,679	0.04	0	0.00
Gain/(loss) on disposal of assets	(23,921)	(0.13)	(7,295)	(0.04)
Payroll protection loan proceeds	1,979,600	11.09	0	0.00
Other income	<u>258,156</u>	<u>1.45</u>	<u>234,359</u>	<u>1.23</u>
Total other income/(expense)	<u>2,112,112</u>	<u>11.83</u>	<u>45,150</u>	<u>0.24</u>
Net income/(loss)	<u>\$ 2,203,808</u>	<u>12.37 %</u>	<u>\$ (492,388)</u>	<u>(2.58)%</u>

See compilation report of independent accountants.

**PATRIOT ENGINEERING AND ENVIRONMENTAL, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

Common Stock

	<u>Shares</u>	<u>Amount</u>	<u>Retained Earnings</u>	<u>Total</u>
Balances, December 31, 2018	9,770	\$ 1,918,441	\$ 2,540,590	\$ 4,459,031
Issuance of common stock	337	203,150	0	203,150
Purchase and retirement of common stock	(1,686)	(354,836)	(656,764)	(1,011,600)
Net income/(loss)	<u>0</u>	<u>0</u>	<u>(492,388)</u>	<u>(492,388)</u>
Balances, December 31, 2019	8,421	1,766,755	1,391,438	3,158,193
Issuance of common stock	457	116,625	0	116,625
Purchase and retirement of common stock	(3,343)	(350,966)	(647,297)	(998,263)
Additional shares issued due to stock split	8,421	0	0	0
Net income/(loss)	<u>0</u>	<u>0</u>	<u>2,203,808</u>	<u>2,203,808</u>
Balances, December 31, 2020	<u>13,956</u>	<u>\$ 1,532,414</u>	<u>\$ 2,947,949</u>	<u>\$ 4,480,363</u>

See compilation report of independent accountants.

**PATRIOT ENGINEERING AND ENVIRONMENTAL, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Net income/(loss)	\$ 2,203,808	\$ (492,388)
Adjustments to reconcile net income to net cash from operating activities		
Depreciation and amortization	548,932	565,373
Loss (gain) on disposal of assets	23,921	7,295
Change in assets and liabilities		
Accounts receivable	102,387	287,983
Prepaid expenses	353,505	(39,356)
Other assets	(223,672)	1,133
Accounts payable	3,407	(96,693)
Accrued expenses and other liabilities	(275,295)	12,418
Net cash from operating activities	2,736,993	245,765
Cash flows from investing activities:		
Proceeds from sale of equipment	28,859	103,481
Capital expenditures	(306,953)	(269,637)
Payments from related party	330,660	54,661
Advances to related party	0	(2,369)
Net cash from investing activities	52,566	(113,864)
Cash flows from financing activities:		
Borrowings/(repayments) on notes payable to bank, net	(1,543,766)	(76,974)
Due to bank	(11,935)	11,935
Issuance of common stock	58,214	72,760
Purchase of common stock	(998,264)	(1,011,600)
Payments on notes to shareholders	(516,848)	(258,923)
Issuance of long-term debt incurred to purchase common stock	492,000	916,200
Net cash from financing activities	(2,520,599)	(346,602)
Net change in cash and cash equivalents	268,960	(214,701)
Cash and cash equivalents at beginning of year	0	214,701
Cash and cash equivalents at end of year	\$ 268,960	\$ 0
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 102,375	\$ 170,476
Noncash financing activities		
Issuance of common stock through redemption of accrued profit sharing and paid time off	\$ 58,411	\$ 130,390

See compilation report of independent accountants.

SUPPLEMENTARY INFORMATION

**PATRIOT ENGINEERING AND ENVIRONMENTAL, INC.
AND SUBSIDIARY
CONSOLIDATED ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>Percent</u>	<u>2019</u>	<u>Percent</u>
Administrative expenses				
Administrative labor	\$ 2,064,731	11.57 %	\$ 2,552,057	13.39 %
Sales salaries	820,055	4.59	888,400	4.66
Payroll taxes	255,619	1.43	306,204	1.61
Rental equipment	13,041	0.07	15,203	0.08
Office rent	335,148	1.88	354,571	1.86
Office supplies	55,930	0.31	71,092	0.37
Postage and mail	15,111	0.08	20,694	0.11
Repairs and maintenance	97,801	0.55	94,968	0.50
Utilities	91,341	0.51	106,902	0.56
Telephone	152,091	0.85	170,850	0.90
General insurance	312,386	1.75	361,403	1.90
Health insurance	796,030	4.46	670,760	3.52
Vehicle and travel	227,343	1.27	302,972	1.59
Meals and entertainment	23,078	0.13	44,676	0.23
Employee training	55,046	0.31	48,819	0.26
Meetings	9,075	0.05	41,559	0.22
Advertising	14,072	0.08	25,066	0.13
Dues and subscriptions	67,293	0.38	95,760	0.50
Legal and accounting	236,238	1.32	128,593	0.67
Corporate expense	867,433	4.86	855,161	4.49
Depreciation and amortization	294,826	1.65	301,839	1.58
Other	894,042	5.01	623,542	3.27
Total administrative expenses	<u>\$ 7,697,730</u>	<u>43.12 %</u>	<u>\$ 8,081,091</u>	<u>42.39 %</u>

See compilation report of independent accountants.