

**SESCO TECHNOLOGY SOLUTIONS, LLC**  
**FINANCIAL STATEMENTS**  
**AND**  
**INDEPENDENT ACCOUNTANT'S REVIEW REPORT**  
**DECEMBER 31, 2015**

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# Montero Group, CPA's, LLC

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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Member's of  
**SESCO TECHNOLOGY SOLUTIONS, LLC**  
San Juan, Puerto Rico

We have reviewed the accompanying balance sheet of **SESCO TECHNOLOGY SOLUTIONS, LLC** (The Company) as of **December 31, 2015**, and the related statements of income and retained earnings and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management 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 designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

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

**MONTERO GROUP, CPA'S LLC**

Montero Group, CPA'S LLC  
License number LLC 284 expire December 1, 2016  
San Juan, P.R.  
July 18, 2016



**SESCO TECHNOLOGY SOLUTIONS, LLC  
BALANCE SHEET  
DECEMBER 31, 2015**

**ASSETS**

**CURRENT ASSETS:**

Accounts receivable	\$ 978,326
Prepaid expenses and other assets	9,134
<b>TOTAL CURRENT ASSETS</b>	<b>987,460</b>
<b>PROPERTY AND EQUIPMENT, net</b>	<b>38,964</b>
<b>DUE FROM MEMBERS'</b>	<b>339,893</b>
<b>DUE FROM AFFILIATES AND OTHER RELATED PARTI:</b>	<b>125,662</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,491,979</b>

**LIABILITIES & MEMBERS' EQUITY**

**CURRENT LIABILITIES:**

Bank overdraft	\$ 10,362
Accounts payable	795,374
Accrued expenses and other liabilities	77,283
Current portion-vehicles loans payable	9,079
Loans payable	246,301
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,138,399</b>

**LONG-TERM LIABILITIES:**

Vehicles loans payable-net of current porti	30,323
<b>TOTAL LIABILITIES</b>	<b>1,168,722</b>

**MEMBERS' EQUITY:**

Members' capital	1,000
Retained earnings	322,257
<b>MEMBERS' EQUITY</b>	<b>323,257</b>
<b>TOTAL LIABILITIES &amp; MEMBERS' EQUITY</b>	<b>\$ 1,491,979</b>

See notes to financial statements and accountant's review report

**SESCO TECHNOLOGY SOLUTIONS, LLC**  
**STATEMENT OF INCOME AND RETAINED EARNINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

<b>NET SALES, SERVICES AND OTHER</b>	\$ 2,801,182
<b>COST OF SALES</b>	<u>(1,817,866)</u>
<b>GROSS PROFIT</b>	983,316
<b>SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES:</b>	
Salaries & related	490,076
Professional fees	118,410
Utilities & communication	22,515
Rent and maintenance	90,497
Insurance	10,501
Licenses & other	41,562
Other	53,339
	<u>826,900</u>
<b>INCOME FROM OPERATIONS</b>	156,416
<b>OTHER DEDUCTIONS:</b>	
Loss on disposition	50,081
Depreciation Expense	53,652
Interest and finance charges	34,314
	<u>138,047</u>
<b>NET INCOME BEFORE INCOME TAXES</b>	18,369
<b>PROVISION FOR INCOME TAXES</b>	<u>(4,381)</u>
<b>NET INCOME</b>	13,988
<b>RETAINED EARNINGS, at beginning of year</b>	<u>308,269</u>
<b>RETAINED EARNINGS, at end of year</b>	<u><u>\$ 322,257</u></u>

See notes to financial statements and accountant's review report

**SESCO TECHNOLOGY SOLUTIONS, LLC**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Net income for the year	\$ 13,988
Adjustments to reconcile net income to net cash used by operating activities:	
Depreciation	53,652
Loss on disposition	50,081
<b>Decrease (Increase) in assets:</b>	
Accounts receivable (net)	(597,804)
Work in process	132,881
Prepaid expenses and other assets	3,056
<b>Increase (Decrease) in liabilities:</b>	
Bank overdraft	10,362
Accounts payable	358,315
Accrued expenses and other liabilities	(56,757)
<b>TOTAL ADJUSTMENTS</b>	<u>(46,214)</u>
<b>NET CASH USED FOR OPERATING ACTIVITIES</b>	<u>(32,226)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Due from members'	(19,850)
Due from affiliates and other related parties	46,507
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>26,657</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Repayment of vehicles loans	(12,207)
Repayment of short-term bank borrowings	(2,562)
<b>NET CASH USED BY FINANCING ACTIVITIES</b>	<u>(14,769)</u>
<b>NET DECREASE IN CASH</b>	(20,338)
<b>CASH, AT BEGINNING OF THE PERIOD</b>	20,338
<b>CASH, AT END OF THE PERIOD</b>	<u>\$ -</u>

See notes to financial statements and accountant's review report

**SESCO TECHNOLOGY SOLUTIONS, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 1-ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES:**

**Organization:**

**SERVICES AND SOLUTIONS CORP** (The Company) was organized under the laws of the Commonwealth of Puerto Rico on July 16, 1997. During 2013 the Company was converted and changed its name to **SESCO TECHNOLOGY SOLUTIONS, LLC**. The Company is mainly engaged in sales of IP Based telecommunications, security and computer equipment and solutions. The most significant accounting policies relate to the followings:

**Revenue and expense recognition:**

The books and accounting records of the Company are kept under the accrual basis. Under this method income is recognized when earned, irrespective of collection, and expenses are recognized when incurred, irrespective of payment.

**Allowance for doubtful receivables:**

The Company anticipates losses from uncollectible accounts in the year when the account receivable becomes doubtful. The provision is based on certain percentage of the aggregate amount of doubtful accounts at the end of each accounting period. When accounts become uncollectible, they are written off books.

**Property, plant and equipment:**

Property and equipment are stated at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful life of individual assets. Leasehold improvements are amortized over the term of the lease or its useful life, whichever is shorter.

Repairs and maintenance, including replacement of minor items, are expensed as incurred, and mayor additions are capitalized. When asset are sold or retired, the related cost and accumulated depreciation are removed from the property accounts, and the resulting gain or loss in reflected in operations.

**SESCO TECHNOLOGY SOLUTIONS, LLC**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2015**

**NOTE 1-ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**  
**(continued) :**

**Inventories:**

Inventories, if any include raw materials and work in process that includes raw materials partially installed or prepaid, along with direct and indirect capitalized installation costs. Raw materials and work-in-process are stated at the lower of cost or market (on a first-in-first-out basis).

**Management estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of asset and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the year ended. Accordingly, actual results could differ from those estimated.

**Impairment of long-lived assets:**

The Company periodically reviews its long-lived assets for impairment whenever events or changes in the circumstances indicate that the carrying amount of an asset may not be recoverable. No indications of impairment were evident as a result of such review.

**Warranties:**

The Company, standard policy is to provide warranty covering product and service defects. Accrual for products warranties are estimated base on a percentage of sales and are recorded as a liability at the time of the sales. When warranty time expires, then revenue is recognized.

**Accounting for Uncertain Tax Provisions:**

The Company follows the provisions of FASB Accounting Standards Codification ASC 740 related to Accounting for Uncertainty in Income Taxes, which provides guidance for how uncertain tax provisions should be recognized, presented and disclosed in the financial statements. FASB ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions would "more-likely-than-



**SESCO TECHNOLOGY SOLUTIONS, LLC**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2015**

**NOTE 1-ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**  
**(continued) :**

**Accounting for Uncertain Tax Provisions (CONTINUED) :**

Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. Management has evaluated the implications of FASB ASC 740 and does not believe it has a material effect on the **2014** financial statements. Management is unaware of any material tax positions that do not meet the more-likely-than-not threshold as of **DECEMBER 31, 2015**.

**Income Taxes :**

The Company uses an asset and liability approach in accounting for income taxes, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences attributable to differences between tax bases of assets and liabilities and their reported amounts in the financial statements. An allowance is recognized for any deferred tax asset for which, based on management's evaluation, it is more likely than not that some portion or the entire deferred tax asset will not be realized. The Company does not have a deferred tax asset and accordingly, does not require a valuation allowance.

**Prior Year's Reclassifications :**

Certain items in the prior year's financial statements have been reclassified to conform with current year's presentation. These reclassifications had no effect in the results of operations as previously reported.

**Concentration of credit risk :**

Financial instruments which potentially subject the Company to concentration of credit risk include cash in bank, accounts receivable and revenues.

The Company maintains its cash with two commercial banks. Deposits in banks are insured by the Federal Deposit Insurance Corporation up to \$250,000 per bank. As of **DECEMBER 31, 2015**, the Company's cash did not exceed the insured amount. Also, concentration of credit risk with respect to accounts receivable and revenues consist mostly with extending credit to it's customers in the normal course of business.

**SESCO TECHNOLOGY SOLUTIONS, LLC**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2015**

**NOTE 1-ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**  
**(continued) :**

**Concentration of credit risk:**

The majority of the Company's business activity is with governmental entities located in Puerto Rico, as such, the Company is subject to the risk of the Puerto Rico economy. As of **DECEMBER 31, 2015**, the related revenues represent a 98% of total revenues.

**Sales Taxes:**

The Commonwealth of Puerto Rico imposes a sales tax of 11.5% on all the Company's sales to nonexempt customers.

The Company collects that sales tax from customer and remits 10.5% to the state and 1% to the municipality where the business is located. The Company's accounting policy is to exclude the tax collected from sales.

**NOTE 2-PROPERTY AND EQUIPMENT:**

Property and equipment consists of the following:

Vehicles	77,339
Furniture and fixtures	2,113
	<hr/> 79,452
Less accumulated depreciation	(40,488)
	<hr/> <u>\$ 38,964</u>

**NOTE 3-DUE FROM MEMBERS' :**

Due from officers consists of transactions made on behalf of the Company by their officers or vice versa. The total due from officers as of **DECEMBER 31, 2015** was \$339,893.

**NOTE 4-DUE FROM AFFILIATES AND RELATED PARTIES:**

Due from affiliates and related parties consists of transactions made on behalf of affiliates or related entities by the Corporation or vice-versa. These balances are unsecured, non-interest bearing and have no specific repayment dates. The total due from affiliates and related parties as of **DECEMBER 31, 2015** was \$125,662

**SESCO TECHNOLOGY SOLUTIONS, LLC**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2015**

**NOTE 5-VEHICLES LOANS PAYABLE:**

Vehicle loan payable, due in monthly installments of \$291, including principal, and interest through April 2019.	\$ 10,744
Vehicle loan payable, due in monthly installments of \$610, including principal, and interest through March 2020.	28,658
	39,402
Less current maturities	(9,079)
	\$ 30,323

**NOTE 6-LOANS PAYABLE:**

The Company has an approved line of credit with the "Banco de Desarrollo Económico" de Puerto Rico for working capital in the amount of \$1,000,000. This line of credit is secured by Company assets, with personal guarantees from members' of the Company and with Corporate guarantees from Dallana Properties Corp; its bears interest at prime rate, with a floor limit (7.00% as of **DECEMBER 31, 2015**), over the balance due. As of **DECEMBER 31, 2015** the outstanding balance was \$246,301.

**NOTE 7-SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:**

During the year the Company paid and accrued interest in the amount of \$34,314.

In addition, during the year the Company disposed fixed assets with value of \$198,183 and accumulated depreciation of \$148,102, resulting in a loss on disposition of \$50,081.

**NOTE 8-OPERATING LEASE AGREEMENT:**

The Company lease agreement for office and operations, in a month-to-month basis, the basic rent agreed was \$2,300 per month.

During the year the Company's rent expense amounted to \$90,497. The following is a schedule of the projected minimum rental payments required under the operating leases considering renewal options are as follows:

**SESCO TECHNOLOGY SOLUTIONS, LLC**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2015**

**NOTE 8-OPERATING LEASE AGREEMENT (CONTINUED):**

Year Ending December 31,	Base Annual Minimum Rent
2016	\$ 27,600
2017	28,800
2018	28,800
2019	28,800
2020	28,800
	\$ 142,800

**NOTE 9-CONTINGENCY:**

The Company acts as a secured creditor in a commercial loan in favor of Dallana Properties, LLC. (DP), a related Company. The balance due as of **DECEMBER 31, 2015** was \$924,529.

**NOTE 10-SUBSEQUENTS EVENTS:**

The management of the entity has evaluated subsequent events as of **JULY 18, 2016**, date in which management approved these financial statements, and has determined that no additional accruals or disclosures are needed in the accompanying financial statements.