

SESCO TECHNOLOGY SOLUTIONS, LLC
FINANCIAL STATEMENTS
AND
INDEPENDENT ACCOUNTANT'S REVIEW REPORT
DECEMBER 31, 2016

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(Un-Audited – Review)

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To Management of
SESCO TECHNOLOGY SOLUTIONS, LLC.
San Juan, Puerto Rico

We have reviewed the accompanying financial statements of **SESCO TECHNOLOGY SOLUTIONS, LLC.** (a limited liability company) which comprise the balance sheet as of as of **DECEMBER 31, 2016**, and the related statements of income and retained earnings and cash flows for the year then ended and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of 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's Responsibility for the Financial Statements

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

Accountant's Responsibility

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

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 accordance with accounting principles generally accepted in the United States of America.

Montero Group, CPA'S LLC

Montero Group, CPA'S LLC
License number 284, expiring December 1st, 2019
San Juan, P.R.
July 19, 2017



**SESCO TECHNOLOGY SOLUTIONS, LLC
BALANCE SHEET
DECEMBER 31, 2016**

ASSETS

CURRENT ASSETS:

Cash	\$ 127,327
Accounts receivable	457,087
Prepaid expenses and other assets	20,607
TOTAL CURRENT ASSETS	605,021
PROPERTY AND EQUIPMENT, net	27,090
DUE FROM MEMBERS'	361,847
DUE FROM AFFILIATES AND OTHER RELATED PARTIES	158,449
TOTAL ASSETS	\$ 1,152,407

LIABILITIES & MEMBER'S EQUITY

CURRENT LIABILITIES:

Accounts payable	\$ 561,269
Accrued expenses and other liabilities	59,481
Current portion-vehicles loans payable	9,122
Loans payable	190,766
TOTAL CURRENT LIABILITIES	820,638

LONG-TERM LIABILITIES:

Vehicles loans payable-net of current portion	21,067
TOTAL LIABILITIES	841,705

MEMBERS' EQUITY:

Members' capital	1,000
Retained earnings	309,702
MEMBERS' EQUITY	310,702
TOTAL LIABILITIES & MEMBERS' EQUITY	\$ 1,152,407

See notes to financial statements and independent accountant's review report.

SESCO TECHNOLOGY SOLUTIONS, LLC
STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2016

NET SALES, SERVICES AND OTHER	\$ 1,314,773
COST OF SALES	<u>(751,009)</u>
GROSS PROFIT	563,764
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES:	
Salaries & related	297,111
Professional fees	121,782
Utilities & communication	15,255
Rent and maintenance	24,831
Insurance	7,869
Licenses & other	21,679
Other	52,334
	<u>540,861</u>
INCOME FROM OPERATIONS	22,903
OTHER DEDUCTIONS:	
Depreciation Expense	11,873
Interest and finance charges	26,203
	<u>38,076</u>
NET LOSS BEFORE PROVISION FOR INCOME TAX BENEFIT	(15,173)
Provision for income tax benefit	<u>2,618</u>
NET LOSS	(12,555)
RETAINED EARNINGS, at beginning of year	<u>322,257</u>
RETAINED EARNINGS, at end of year	<u>\$ 309,702</u>

See notes to financial statements and independent accountant's review report.

**SESCO TECHNOLOGY SOLUTIONS, LLC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016**

CASH FLOWS FROM OPERATING ACTIVITIES:

Net loss for the year	\$ (12,555)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation	11,873
Decrease (Increase) in assets:	
Accounts receivable (net)	521,239
Prepaid expenses and other assets	(11,473)
Increase (Decrease) in liabilities:	
Accounts payable	(234,106)
Accrued expenses and other liabilities	(17,800)
TOTAL ADJUSTMENTS	<u>269,733</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>257,178</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Due from members'	(21,954)
Due from affiliates and other related parties	(32,787)
NET CASH USED BY INVESTING ACTIVITIES	<u>(54,741)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Repayment of vehicles loans	(9,213)
Repayment of short-term bank borrowings	(55,535)
NET CASH USED BY FINANCING ACTIVITIES	<u>(64,748)</u>

NET CHANGE IN CASH 137,689

CASH, AT BEGINNING OF THE PERIOD (10,362)

CASH, AT END OF THE PERIOD \$ 127,327

See notes to financial statements and independent accountant's review report.

SESCO TECHNOLOGY SOLUTIONS, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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 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. No provision for uncollectible accounts was recorded.

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, 2016

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-not" be sustained if challenged by the applicable tax authority.

SESCO TECHNOLOGY SOLUTIONS, LLC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

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 **2016** financial statements. Management is unaware of any material tax positions that do not meet the more-likely-than-not threshold as of **DECEMBER 31, 2016**.

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, 2016**, the Company's cash did not exceed the insured amount.

SESCO TECHNOLOGY SOLUTIONS, LLC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

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

Concentration of credit risk:

Also, concentration of credit risk with respect to accounts receivable and revenues consist mostly with extending credit to its customers in the normal course of business. Concentration risk with respect to revenue relates to the Company's business activity with local governmental entities, the Company is subject to the risk of the Puerto Rico weakened economy. As of **DECEMBER 31, 2016**, the government gross revenues represent an **85%** of total gross 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	(52,362)
	<hr/> <u>\$ 27,090</u>

NOTE 3-DUE FROM MEMBER'S:

Due from members consists of transactions made on behalf of the Company by their member's or vice versa. The total due from member's as of **DECEMBER 31, 2016** was \$361,847.

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, 2016** was \$158,449

SESCO TECHNOLOGY SOLUTIONS, LLC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

NOTE 5-VEHICLES LOANS PAYABLE:

Vehicles loans consist of the following:

Vehicle loan payable, due in monthly installments of \$291, including principal, and interest through April 2019.	\$ 7,637
Vehicle loan payable, due in monthly installments of \$610, including principal, and interest through March 2020.	22,552
	30,189
Less current maturities	(9,122)
	\$ 21,067

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, 2016**), over the balance due. As of **DECEMBER 31, 2016** the outstanding balance was \$190,766.

At present, the bank and the company are in the process of reviewing the terms and conditions of this credit facility. No additional disbursements are allowed until such agreements are concluded.

NOTE 7-SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:

During the year the Company paid and accrued interest in the amount of \$26,203.

NOTE 8-OPERATING LEASE AGREEMENT:

The Company leases real estate for office and operations, contract was in a month-to-month basis, monthly rent was \$2,300. During the year the Company's rent expense was \$22,400.

SESCO TECHNOLOGY SOLUTIONS, LLC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

NOTE 8-OPERATING LEASE AGREEMENT (continued):

The company relocated its offices in January 2017. The new operating lease agreement requires a monthly rent of \$1,000, and it expires January 2018.

The minimum lease payments are as follow considering an automatic renewal:

Year Ending December 31,	Base Annual Minimum Rent
2017	\$ 12,000
2018	12,000
2019	12,000
2020	12,000
2021	12,000
	<u>\$ 60,000</u>

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, 2016** was \$670,350.

NOTE 10-SUBSEQUENTS EVENTS:

The management of the entity has evaluated subsequent events as of **JULY 19, 2017**, date in which management approved these financial statements, and has determined that no additional accruals or disclosures are needed in the accompanying financial statements.