

CPM PR, LLC
Notes to Financial Statements
December 31, 2016 and 2015

Note 6. Loans Payable

As of December 31, 2016 and 2015, long term debts consist of:

	<u>2016</u>	<u>2015</u>
Insurance financing loans payable in aggregate monthly installments of \$7,208, including interest ranging from 6.00% to 6.50%. The loans are due from July to September 2016.	\$ <u>50,269</u>	<u>52,063</u>
Current portion of loans payable	\$ <u>50,269</u>	\$ <u>52,063</u>

As of December 31, 2016, the scheduled principal payments of the loans payable follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ <u>50,269</u>

Certain loan agreements require the Company to comply with certain restrictive covenants, which in the event of non-compliance, provide the financial institution the right to declare the outstanding debt as due and payable in cancellation of the Agreement. As of December 31, 2016 and 2015, the Company was in compliance with the respective covenants.

Note 7. Related Parties Transactions

The Company, through common ownership and management, is related to various companies.

The Company received non-interest bearing advances from a member, used for operational purposes. As of December 31, 2016 and 2015, the balance payable to the member had an outstanding balance of \$1,174 and \$11,656, respectively.

The Company received non-interest bearing advances from the members, used for operational purposes. As of December 31, 2016 and 2015, the balance payable to the members amounted to \$1,156,471.

The Company receives professional and technical services from InGente, Inc., a related company. As of December 31, 2016 and 2015, the amount due to this related company amounted to approximately \$2,815 and \$22,017, respectively, for services received. In addition, during the years ended December 31, 2016 and 2015, InGente, Inc. billed the Company approximately \$28,391 and \$211,111, respectively, for services rendered. As of December 31, 2016 and 2015, the Company had a non-interest balance due from the related company of \$63,003 and \$50,565, respectively. These advances were used for operational purposes and are payable upon demand.

CPM PR, LLC
Notes to Financial Statements
December 31, 2016 and 2015

Note 7. Related Parties Transactions (continued)

The Company provides professional services to CPM Panamá, LLC, a related company, and the later reimburses such services to the Company. As of December 31, 2016 and 2015, the balance due from this related party amounted to \$205,947 and \$41,000, respectively. During the years ended December 31, 2016 and 2015, the Company billed \$389,710 and \$551,389, respectively, for services rendered.

The Company provides professional services to CPM Builders, LLC, a related company, and the later reimburses such services to the Company. As of December 31, 2016 and 2015, the balance due from this related party amounted to \$8,720 and \$1,393, respectively. During the years ended December 31, 2016 and 2015, the Company billed \$213,355 and \$1,533, respectively, for services rendered.

The Company provides professional services to Acumenian LLC, a related company, and the later reimburses such services to the Company. As of December 31, 2016 and 2015, the balance due to this related party amounted to \$4,740 and \$-, respectively. During the years ended December 31, 2016 and 2015, the Company billed \$9,852 and \$-, respectively, for services rendered.

The Company provides professional services to CPM NA, LLC, a related company, and the later reimburses such services to the Company. As of December 31, 2016 and 2015, the balance due from this related party amounted to \$7,876 and \$-, respectively. During the years ended December 31, 2016 and 2015, the Company billed \$7,876 and \$-, respectively, for services rendered.

In addition, as required by the Puerto Rico Treasury Department, the Company has identified the following entities that are part of the Controlled Group, as defined in the Puerto Rico Internal Revenue Code:

- InGente, Inc.
- CPM Properties, Inc.
- CPM LATAM, LLC
- Caribbean Project Management, PSC II
- CPM Builders, LLC
- Acumenian LLC

The Company leases office space and parking from a related party under an operating lease agreement expiring on September 30, 2018. Rent expense under this agreement amounted to \$401,024 for the years ended December 31, 2016 and 2015. As of December 31, 2016 and 2015, the balance due from this related party amounted to approximately \$157,023 and \$132,035, respectively.

CPM PR, LLC
Notes to Financial Statements
December 31, 2016 and 2015

Note 7. Related Parties Transactions (continued)

The minimum base lease payments under operating lease as of December 31, 2016, will be as follow:

Years ending December 31:	
2017	\$ 401,028
2018	<u>305,271</u>
Total	<u>\$ 706,299</u>

Note 8. Retirement Plan

The Company has a defined contribution retirement plan that covers all full-time employees who have completed one year of service and are at least 18 years of age. The employees contribute up to the lower of 10% of their pre-tax annual compensation or the maximum amount permitted by tax regulations. As of December 31, 2016 and 2015, the Company made no contribution to the pension plan.

During the year ended December 31, 2014, the Company, as provided by the plan document and adoption agreement, elected to suspend and freeze the plan until further notice.

Note 9. Major Customer Information

During the years ended December 31, 2016 and 2015, approximately 45% and 35% of the Company's revenues were derived from one customer; and approximately 69% and 75% of the Company's accounts receivable were also derived from one customer.

Note 10. Supplemental Disclosures of Cash Flows Information

The statements of cash flows classify changes in cash according to operating, investing and financing activities. The following is supplementary information relating to the statements of cash flows:

Cash paid during the years for:

	<u>2016</u>	<u>2015</u>
Interest	\$ <u>129,444</u>	\$ <u>106,956</u>

Non-cash investing and financing activities:

Motor vehicle acquired through capital lease obligation	\$ <u>45,388</u>	\$ <u>-</u>
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CPM PR, LLC
Notes to Financial Statements
December 31, 2016 and 2015

Note 11. Commitment

Refer to Note 7.

Note 12. Evaluation of Subsequent Events

The Company has evaluated subsequent events through March 3, 2017, the date which the financial statements were available to be issued. Management has determined that there were no events occurring in this period that required disclosure in or adjustment to the accompanying financial statements.

CPM PR, LLC
Financial Statements
December 31, 2017 and 2016
(with Auditors' Report thereon)

Carbonell & Co., LLP

Certified Public Accountants
PO Box 270010
San Juan PR 00928-0010
Telephone: (787) 300-3777
Fax: (787) 300-3771

CPM PR, LLC
Financial Statements
As of December 31, 2017 and 2016

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INDEPENDENT AUDITORS' REPORT

To the Members of
CPM PR, LLC

We have audited the accompanying financial statements of **CPM PR, LLC**, which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of operations and members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

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 misstatements, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Independent Auditors' Report

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **CPM PR, LLC** as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted In the United States of America.

San Juan, Puerto Rico
March 8, 2018

Carbonell & Co. LLP.

License No. LLP- 211
Expires on December 1, 2019



CPM PR, LLC
Balance Sheets
As of December 31, 2017 and 2016

	<u>Assets</u>	
	<u>2017</u>	<u>2016</u>
Current assets:		
Cash	\$ 824,198	\$ 881,048
Accounts receivable, net	3,951,691	6,593,841
Due from related parties	178,573	157,023
Prepaid expenses and other current assets	<u>252,151</u>	<u>296,258</u>
Total current assets	5,206,613	7,928,170
Property and equipment, net	<u>83,224</u>	<u>72,325</u>
Total assets	<u>\$ 5,289,837</u>	<u>\$ 8,000,495</u>

Liabilities and Members' Equity

Current liabilities:		
Accounts payable	\$ 888,161	\$ 979,935
Accrued expenses and other liabilities	863,305	1,075,055
Lines of credit	280,000	1,800,000
Current portion of capital lease obligations	15,957	15,084
Current portion of loans payable	<u>-</u>	<u>50,269</u>
Total current liabilities	2,047,423	3,920,343
Due to related parties	311,255	1,157,645
Long-term portion of capital lease obligations	<u>37,244</u>	<u>53,201</u>
Total liabilities	2,395,922	5,131,189
Commitment		
Members' equity	<u>2,893,915</u>	<u>2,869,306</u>
Total liabilities and members' equity	<u>\$ 5,289,837</u>	<u>\$ 8,000,495</u>

CPM PR, LLC
Statements of Operations and Members' Equity
For the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Service revenues	\$ 9,564,320	\$ 9,849,191
Less: Cost of operations	<u>(6,109,260)</u>	<u>(6,141,363)</u>
Gross profit	3,455,060	3,707,828
Operating, general and administrative expenses:		
Operating, general and administrative expenses	1,726,824	1,755,351
Salaries and payroll taxes	1,429,295	1,369,452
Depreciation and amortization expense	<u>23,781</u>	<u>16,542</u>
Total operating, general and administrative expenses	<u>3,179,900</u>	<u>3,141,345</u>
Net operating income	275,160	566,483
Other income (expense):		
Other income	13,245	14,881
Interest expense	<u>(58,660)</u>	<u>(129,444)</u>
Total other income, net	<u>(45,415)</u>	<u>(114,563)</u>
Net income	229,745	451,920
Members' equity at beginning of years	2,869,306	2,620,853
Distributions (in lieu of taxes)	<u>(205,136)</u>	<u>(203,467)</u>
Members' equity at end of years	<u>\$ 2,893,915</u>	<u>\$ 2,869,306</u>

CPM PR, LLC
Statements of Cash Flows
For the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Net income	\$ 229,745	\$ 451,920
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	23,781	16,542
Net increase or decrease in assets and liabilities:		
Accounts receivable	2,642,150	212,880
Prepaid expenses and other current assets	44,107	(636)
Other assets	-	878
Related parties transactions	(22,724)	(35,470)
Accounts payable	(91,774)	21,511
Accrued expenses	<u>(211,750)</u>	<u>(543,631)</u>
Total adjustments	<u>2,383,790</u>	<u>(327,926)</u>
Net cash provided by operating activities	2,613,535	123,994
Cash flows from investing activities:		
Acquisition of property and equipment	<u>(34,680)</u>	<u>-</u>
Net cash used in investing activities	(34,680)	-
Cash flows from financing activities:		
Due to related parties	(845,215)	-
Distributions (in lieu of taxes)	(205,136)	(203,467)
Net repayments of line of credit	(1,520,000)	(400,000)
Repayments of capital lease obligations	(15,085)	(9,181)
Repayments of loan payable	<u>(50,269)</u>	<u>(1,794)</u>
Net cash used in financing activities	<u>(2,635,705)</u>	<u>(614,442)</u>
Net decrease in cash	(56,850)	(490,448)
Cash at beginning of years	<u>881,048</u>	<u>1,371,496</u>
Cash at end of years	<u>\$ 824,198</u>	<u>\$ 881,048</u>

See accompanying Notes to Financial Statements and Independent Auditors' Report.

CPM PR, LLC
Notes to Financial Statements
December 31, 2017 and 2016

Nature of Business

CPM PR, LLC, hereinafter “the Company” was incorporated on June 21, 1996, under the provisions and subject to the requirements of the Laws of the Commonwealth of Puerto Rico. The Company is engaged in the administration of construction projects through the practice of engineering services.

Note 2. Summary of Significant Accounting Policies

The summary of significant accounting policies of the Company, is presented to assist in understanding the Company's financial statements. The financial statements and notes are the representation of the Company's management, who is responsible for their integrity and objectivity. These accounting policies conform to the accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Limited Liability Company

Members of a limited liability company are not liable for any debt, obligation or other liability of the Company, except as provided by law.

Revenues and Expenses

Assets, liabilities, revenues and expenses are recognized using the accrual method of accounting under which revenues are reported when earned, and expenses charged as incurred.

Use of 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.

Cash Equivalents

The Company considers cash in certificates of deposits and all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents. As of December 31, 2017 and 2016, cash equivalents consisted of monies deposited in a money market account with a broker dealer amounting \$6,782 and \$7,099, respectively.

CPM PR, LLC
Notes to Financial Statements
December 31, 2017 and 2016

Note 2. Summary of Significant Accounting Policies (continued)

Accounts Receivable

The Company uses the allowance method for trade accounts receivable. The allowance is adjusted based on current year status of trade accounts receivable. During the years ended December 31, 2017 and 2016, the Company recorded an allowance for doubtful accounts of \$129,800.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Major renewals and betterment are charged to property accounts. Replacements, maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed currently. Upon retirement or disposal of properties, the related cost and accumulated depreciation and amortization are removed from their respective accounts in the ledger. All gains and losses on sales as well as retirement of properties are reflected in the Company's earnings.

Depreciation is computed using the straight-line method over the estimated useful lives of furniture and fixtures, and computer equipment. Motor vehicles, office equipment and leasehold improvements are amortized over the shorter of the lease term or the estimated useful life of the assets.

Property and equipment are reviewed for impairment at least annually or whenever events or circumstances indicate their carrying value may not be recoverable. If total of the expected future undiscounted cash flows is less than the carrying value of the asset, a loss is recognize for the difference between the imputed fair value and the carrying value of the asset. There were no impairment losses recognized for the years ended December 31, 2017 and 2016.

Income Taxes

The Company elected to operate, for tax purposes, under the benefits of Subchapter D of the Puerto Rico Internal Revenue Code of 2011, as amended, whereby by the results of its operations are reported on the Puerto Rico income tax return of its members. Therefore, no provision or liability for income taxes were reported in the Company's financial statements.

Beginning with the adoption of the FASB authoritative guidance on the accounting for uncertainty on income taxes as of January 1, 2009, the Company recognizes the effect of income tax positions, only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. The Company records any interest and penalties related to unrecognized tax benefits within the operating expenses in the statements of income.

Concentration of Credit Risk

The Company maintains its cash accounts in a local financial institution. Accounts at financial institutions are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2017 and 2016, the balance on deposit per financial institution's records exceeded the insured limit by \$588,390 and \$636,090, respectively.

CPM PR, LLC
Notes to Financial Statements
December 31, 2017 and 2016

Note 3. Accounts Receivable

As of December 31, 2017 and 2016, accounts receivable consists of:

	<u>2017</u>	<u>2016</u>
Accounts receivable trade	\$ 3,669,874	\$ 6,428,244
Accounts receivable related party	<u>411,617</u>	<u>295,397</u>
Total receivables	4,081,491	6,723,641
Less: allowance for doubtful accounts	<u>(129,800)</u>	<u>(129,800)</u>
Total accounts receivable, net	<u>\$ 3,951,691</u>	<u>\$ 6,593,841</u>

Note 4. Property and Equipment

As of December 31, 2017 and 2016, property and equipment consists of:

	Estimated useful life in years	<u>2017</u>	<u>2016</u>
Computer and office equipment	3-5	\$ 772,275	\$ 752,657
Motor vehicles	5-6	116,104	123,304
Furniture and fixtures	5	61,577	46,515
Machinery and equipment	10	19,000	19,000
Leasehold improvements	3	17,141	17,141
Less: accumulated depreciation and amortization		<u>(902,873)</u>	<u>(886,292)</u>
Property and equipment, net		<u>\$ 83,224</u>	<u>\$ 72,325</u>

The depreciation and amortization expense for the years ended December 31, 2017 and 2016, amounted to \$23,781 and \$16,542, respectively.

Note 5. Lines of Credit

As of December 31, 2017 and 2016, the Company had available two revolving lines of credit with a financial institution for up to \$2,250,000, bearing interest at a variable rate of 0.50% over Citibank, N.A., New York Prime Rate with a floor rate of 5.50% and 6%, for working capital purposes and \$250,000, bearing interest at a variable rate of 0.50% over Citibank, N.A., New York Prime Rate for overdraft reserve. The lines of credit are collateralized and secured by mortgages on land and commercial property owned by an affiliate, a pledge over the Company's accounts receivable and stocks, cross guarantees of an affiliate, and by personal guarantee of one of the Company's members. As of December 31, 2017 and 2016, the overdraft reserve credit facility had no outstanding balance. As of December 31, 2017 and 2016, the working capital credit facility had an outstanding balance of \$280,000 and \$1,800,000, respectively.

CPM PR, LLC
Notes to Financial Statements
December 31, 2017 and 2016

Note 5. Lines of Credit (continued)

These credit facilities require the Company to comply with certain restrictive covenants, which in the event of non-compliance, provide the financial institution the right to declare the outstanding debt as due and payable in cancellation of the Agreement. As of December 31, 2017 and 2016, the Company was in compliance with the restrictive covenants.

Note 6. Capital Lease Obligations

Property held under capital leases, included in property and equipment on the balance sheets as of December 31, 2017 and 2016, consists of the following:

	<u>2017</u>	<u>2016</u>
Office equipment	\$ 47,398	\$ 47,398
Motor vehicle	<u>45,390</u>	<u>45,390</u>
	92,788	92,788
Less: accumulated amortization	<u>(43,941)</u>	<u>(28,183)</u>
Property and equipment under capital leases, net	<u>\$ 48,847</u>	<u>\$ 64,605</u>
Non-cancelable leases expiring on August 2019, payable in aggregate monthly installments of \$868, including interest at 10%, and secured by office equipment.	\$ 16,191	\$ 24,529
Non-cancelable lease expiring on August 2022, payable in monthly installments of \$730, including interest at 4.95%, and secured by a motor vehicle.	<u>37,010</u>	<u>43,756</u>
Total	<u>\$ 53,201</u>	<u>\$ 68,285</u>
Current portion of capital lease obligations	<u>\$ 15,957</u>	<u>\$ 15,084</u>
Long-term portion of capital lease obligations	<u>\$ 37,244</u>	<u>\$ 53,201</u>

The future minimum lease payments under these capital leases and net present value of the next five fiscal years will be as follow:

2018	\$ 19,175
2019	16,014
2020	8,759
2021	8,759
2022	<u>6,569</u>
Total minimum lease payments	59,276
Less: amount representing interest	<u>(6,075)</u>
Present value of minimum lease payments	<u>\$ 53,201</u>

CPM PR, LLC
Notes to Financial Statements
December 31, 2017 and 2016

Note 7. Loans Payable

As of December 31, 2017 and 2016, long term debts consist of:

	<u>2017</u>	<u>2016</u>
Insurance financing loans payable in aggregate monthly installments of \$7,208, including interest ranging from 6.00% to 6.50%. The loans were due on September 2016.	\$ -	\$ 50,269
Current portion of loans payable	\$ -	\$ 50,269

Certain loan agreements require the Company to comply with certain restrictive covenants, which in the event of non-compliance, provide the financial institution the right to declare the outstanding debt as due and payable in cancellation of the Agreement. As of December 31, 2017 and 2016, the Company was in compliance with the respective covenants.

Note 8. Related Parties Transactions

The Company, through common ownership and management, is related to various companies.

The Company received non-interest bearing advances from a member, used for operational purposes. As of December 31, 2017 and 2016, the balance payable to the member had an outstanding balance of \$-0- and \$1,174, respectively.

The Company received non-interest bearing advances from the members, used for operational purposes. As of December 31, 2017 and 2016, the balance payable to the members amounted to \$311,255 and \$1,156,471, respectively.

The Company receives professional and technical services from InGente, Inc., a related company. As of December 31, 2017 and 2016, the amount due to this related company amounted to approximately \$-0- and \$2,815, respectively, for services received. In addition, during the years ended December 31, 2017 and 2016, InGente, Inc. billed the Company approximately \$13,532 and \$28,391, respectively, for services rendered. As of December 31, 2017 and 2016, the Company had a non-interest balance due from the related company of \$76,535 and \$63,003, respectively. These advances were used for operational purposes and are payable upon demand.

The Company provides professional services to CPM Panamá, LLC, a related company, and the later reimburses such services to the Company. As of December 31, 2017 and 2016, the balance due from this related party amounted to \$257,450 and \$205,947, respectively. During the years ended December 31, 2017 and 2016, the Company billed \$306,809 and \$389,710, respectively, for services rendered.

CPM PR, LLC
Notes to Financial Statements
December 31, 2017 and 2016

Note 8. Related Parties Transactions (continued)

The Company provides professional services to CPM Builders, LLC, a related company, and the later reimburses such services to the Company. As of December 31, 2017 and 2016, the balance due from this related party amounted to \$6,028 and \$8,720, respectively. During the years ended December 31, 2017 and 2016, the Company billed \$77,444 and \$213,355, respectively, for services rendered.

The Company provides professional services to Acumenian LLC, a related company, and the later reimburses such services to the Company. As of December 31, 2017 and 2016, the net balance due to this related party amounted to \$19,887 and \$4,740, respectively. During the years ended December 31, 2017 and 2016, the Company billed \$80,098 and \$9,852, respectively, for services rendered.

The Company provides professional services to CPM NA, LLC, a related company, and the later reimburses such services to the Company. As of December 31, 2017 and 2016, the net balance due from this related party amounted to \$20,855 and \$7,876, respectively. During the years ended December 31, 2017 and 2016, the Company billed \$104,162 and \$7,876, respectively, for services rendered.

In addition, as required by the Puerto Rico Treasury Department, the Company has identified the following entities that are part of the Controlled Group, as defined in the Puerto Rico Internal Revenue Code:

- InGente, Inc.
- CPM Properties, Inc.
- CPM LATAM, LLC
- Caribbean Project Management, PSC II
- CPM Builders, LLC
- Acumenian LLC

The Company leases office space and parking from a related party under an operating lease agreement expiring on September 30, 2018. Rent expense under this agreement amounted to \$401,024 for the years ended December 31, 2017 and 2016. As of December 31, 2017 and 2016, the balance due from this related party amounted to approximately \$178,573 and \$157,023, respectively.

The minimum base lease payments under operating lease as of December 31, 2017, will be as follow:

Year ending December 31:	
2018	<u>\$ 305,271</u>

CPM PR, LLC
Notes to Financial Statements
December 31, 2017 and 2016

Note 9. Retirement Plan

The Company has a defined contribution retirement plan that covers all full-time employees who have completed one year of service and are at least 18 years of age. The employees contribute up to the lower of 10% of their pre-tax annual compensation or the maximum amount permitted by tax regulations. As of December 31, 2017 and 2016, the Company made no contribution to the pension plan.

During the year ended December 31, 2014, the Company, as provided by the plan document and adoption agreement, elected to suspend and freeze the plan until further notice.

Note 10. Major Customer Information

During the years ended December 31, 2017 and 2016, approximately 28% and 45% of the Company's revenues were derived from one customer, respectively. Approximately 27% and 69% of the Company's accounts receivable were also derived from one customer, respectively.

Note 11. Supplemental Disclosures of Cash Flows Information

The statements of cash flows classify changes in cash according to operating, investing and financing activities. The following is supplementary information relating to the statements of cash flows:

Cash paid during the years for:

	<u>2017</u>	<u>2016</u>
Interest	\$ <u>58,660</u>	\$ <u>129,444</u>

Non-cash investing and financing activities:

Motor vehicle acquired through capital lease obligation	\$ <u>-</u>	\$ <u>45,388</u>
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Note 12. Commitment

Refer to Note 8.

Note 13. Evaluation of Subsequent Events

The Company has evaluated subsequent events through March 8, 2018, the date which the financial statements were available to be issued. Management has determined that there were no events occurring in this period that required disclosure in or adjustment to the accompanying financial statements, except as disclosed in the next page.

CPM PR, LLC
Notes to Financial Statements
December 31, 2017 and 2016

Note 13. Evaluation of Subsequent Events (continued)

On September 20, 2017, Hurricane María made landfall on Puerto Rico as a Category 4 hurricane. The storm lingered over Puerto Rico with sustained winds of 155 mph producing property damages, heavy rainfall, flooding's, and complete power outage of the island. The Company is in the process to file a claim with the insurance company to recover the expenses incurred and the damages suffered caused by Hurricane María.

CMA ARCHITECTS & ENGINEERS LLC
AUDITED FINANCIAL STATEMENTS
As of December 31, 2016



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
CMA Architects & Engineers LLC
Guaynabo, Puerto Rico

I have audited the accompanying financial statements of CMA Architects & Engineers LLC a Puerto Rico limited liability company, which comprise the balance sheet as of December 31, 2016, and the related statements of income, member's equity and cash flows for the year then ended, and the related notes to the financial statements.

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 and Puerto Rico; 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.

Auditor's Responsibility

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

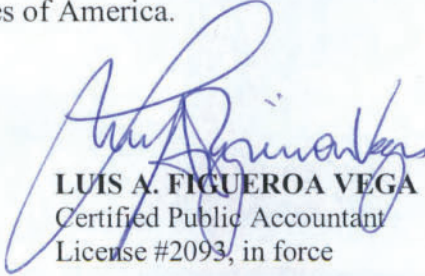
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CMA Architects & Engineers LLC as of December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.




LUIS A. FIGUEROA VEGA
Certified Public Accountant
License #2093, in force

San Juan, Puerto Rico
March 2, 2017

CMA ARCHITECTS & ENGINEERS LLC
BALANCE SHEET
As of December 31, 2016

ASSETS

CURRENT

Cash on hand and in banks	\$ <u>1,251,732</u>
Accounts receivable:	
Trade	3,630,578
Members	36,000
Others	<u>5,874</u>
	3,672,452
Prepaid expenses and insurance	<u>240,924</u>
Total current assets	<u>5,165,108</u>

PROPERTY AND EQUIPMENT AT COST

Engineering equipment	150,330
Office furniture and equipment	<u>30,324</u>
	180,654
Less accumulated depreciation	<u>135,615</u>
Net book value of property and equipment	<u>45,039</u>
TOTAL ASSETS	<u>\$ 5,210,147</u>

The accompanying report and notes are an integral part of the financial statements.

LIABILITIES

CURRENT

Accounts payable - trade	\$ 205,489
Accrued expenses payable	88,906
Unearned income	<u>1,813,524</u>
Total current liabilities	2,107,919

MEMBERS' EQUITY

3,102,228

TOTAL LIABILITIES &
MEMBERS' EQUITY

\$ 5,210,147

The accompanying report and notes are an integral part of the financial statements.

CMA ARCHITECTS & ENGINEERS LLC
STATEMENT OF INCOME
For the year ended December 31, 2016

Income from:	
Professional services	\$ 9,010,320
Interests	3,470
Miscellaneous	<u>5,546</u>
Total income	9,019,336
Direct costs, including production salaries in the amount of \$3,932,685	<u>4,800,968</u>
Gross profit	4,218,368
General and administrative expenses	<u>3,672,143</u>
NET INCOME FOR THE YEAR	<u>\$ 546,225</u>

The accompanying report and notes are an integral part of the financial statements.

CMA ARCHITECTS & ENGINEERS LLC
STATEMENT OF MEMBERS' EQUITY
For the year ended December 31, 2016

Balance at beginning of the year	\$ 3,111,133
Net income for the year	546,225
Distribution to members	<u>(555,130)</u>
Balance at end of the year	<u>\$ 3,102,228</u>

The accompanying report and notes are an integral part of the financial statements.

CMA ARCHITECTS & ENGINEERS LLC
STATEMENT OF CASH FLOWS
For the year ended December 31, 2016

Increase or (decrease) in cash:

Cash from operating activities:

Net income for the year \$ 546,225

Adjustment to reconcile net income
to net cash provided by
operating activities:

Depreciation 34,358

(Increase) decrease in:

Accounts receivable 901,656

Prepaid expenses and insurance (61,893)

Increase (decrease) in:

Accounts payable (101,813)

Accounts payable-related company (150,620)

Accrued expenses payable 4,103

Unearned income (414,000)

Net cash provided by
operating activities

758,016

Cash flows from financing activities:

Distribution to members (555,130)

INCREASE IN CASH

202,886

CASH AT BEGINNING OF THE YEAR

1,048,846

CASH AT END OF THE YEAR

\$ 1,251,732

Supplemental disclosures of cash flow information:

During the year the corporation retired property and equipment in the amount of \$59,146.

Cash paid during the year for:

Income taxes \$ 161,464

The accompanying report and notes are an integral part of the financial statements.

CMA ARCHITECTS & ENGINEERS LLC
NOTES TO THE FINANCIAL STATEMENTS
As of December 31, 2016

1. EXISTENCE

The Company was organized under the laws of the Commonwealth of Puerto Rico on August 11, 2000. During the year 2015, the Company registered a certificate of conversion to a limited liabilities company, to be effective on January 1, 2016 to practice the engineering and architectural profession, through its offices in the San Juan area.

The Company has elected to be treated as a Corporation of Individuals for income tax purposes. Net profit of the limited liability company is included in the tax return of the members based on their percentage of ownership.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. ***Basis of Financial Statements Presentation*** – The Company recognizes its income when earned, for income tax and financial statement presentation purposes. In many of its professional services contracts the Company invoices for services and related costs which will be earned through the whole duration of the contract, the same are classified as unearned income in the balance sheet and recognized when realized.
- b. ***Property and Equipment*** – Property and equipment are stated at cost. Additions, renewals, and betterments are capitalized whereas expenditures for maintenance and repairs are charged to expense. The cost and related accumulated depreciation of assets retired or sold are removed from the appropriate asset and depreciation accounts, and the resulting gain or loss is reflected in earnings, except for a gain or loss on assets traded where it is reflected of the basis of the newly acquired assets. Depreciation is provided over the estimated service lives, under the straight-line method.
- c. ***Estimates*** – The presentation 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.
- d. ***Bad-Debts*** - The management of the Company has informed that all accounts receivable are realizable for the amounts shown on the balance sheet and no allowance for bad debt is considered necessary. Bad debts expense is recognized using the direct write-off method.

CMA ARCHITECTS & ENGINEERS LLC
NOTES TO THE FINANCIAL STATEMENTS -CONTINUED
As of December 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- CONTINUED

f. Subsequent Events

For purposes of these financial statements, subsequent events have been evaluated through March 2, 2017, which is the date that financial statements were available to be issued.

3. CASH AND CASH EQUIVALENTS

The Company maintains cash and cash equivalents at a high quality financial institution. The account is insured by the Federal Deposit Insurance Company up to \$250,000 per financial institution. As of the date of the financial statements the amount of \$997,732 exceeded the federally insured limits.

4. PENSION PLAN

The Company has a non-contributory defined benefit pension plan which covers all employees. The plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). The plan is administered by the Employer through a Board of Directors. A participant is eligible after attaining age twenty-one and completing one year of service. The normal retirement date is the first day of the month following the employee's 65th birthday. The plan permits early retirement after age 55 with some requirements and limitations. The employer is required to contribute annually an amount sufficient to provide the benefits for all plan participants, and to maintain the plan on an actuarial sound basis.

5. RELATED PARTY TRANSACTION

The Company conducts its operations in a facility owned by a related party under an operating lease agreement which requires annual payments of \$766,982.

CMA ARCHITECTS & ENGINEERS LLC
AUDITED FINANCIAL STATEMENTS
As of December 31, 2018



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
CMA Architects & Engineers LLC
Guaynabo, Puerto Rico

I have audited the accompanying financial statements of CMA Architects & Engineers LLC a Puerto Rico limited liability company, which comprise the balance sheet as of December 31, 2018, and the related statements of income, member's equity and cash flows for the year then ended, and the related notes to the financial statements.

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 and Puerto Rico; 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.

Auditor's Responsibility

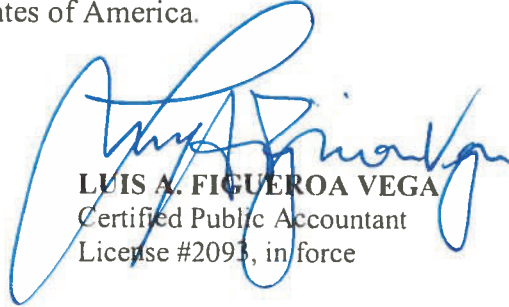
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and Puerto Rico. Those standards require that we plan and perform the audit to obtain reasonable assurance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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CMA Architects & Engineers LLC as of December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



LUIS A. FIGUEROA VEGA
Certified Public Accountant
License #2093, in force

San Juan, Puerto Rico
March 26, 2019

CMA ARCHITECTS & ENGINEERS LLC
BALANCE SHEET
As of December 31, 2018

ASSETS

CURRENT

Cash on hand and in banks	\$ <u>2,704,498</u>
Accounts receivable:	
Trade	7,164,754
Others	<u>19,127</u>
	7,183,881
Prepaid expenses and insurance	<u>284,360</u>
Total current assets	<u>10,172,739</u>

PROPERTY, PLANT AND EQUIPMENT AT COST

Engineering equipment	24,033
Office furniture and equipment	<u>27,108</u>
	51,141
Less accumulated depreciation	<u>12,247</u>
Net book value of property, plant and equipment	<u>38,894</u>
TOTAL ASSETS	<u>\$ 10,211,633</u>

The accompanying report and notes are an integral part of the financial statements.

LIABILITIES

CURRENT

Accounts payable - trade	\$ 613,765
Short-term note payable Bank	1,200,000
Accrued expenses payable	413,245
Unearned income	<u>1,000,000</u>
Total current liabilities	3,227,010

MEMBERS' EQUITY 6,984,623

TOTAL LIABILITIES &
MEMBERS' EQUITY \$ 10,211,633

The accompanying report and notes are an integral part of the financial statements.

CMA ARCHITECTS & ENGINEERS LLC
STATEMENT OF INCOME
For the year ended December 31, 2018

Income from:	
Professional services	\$ 16,489,756
Interests	4,039
Miscellaneous	<u>2,332</u>
Total income	16,496,127
Direct costs, including production salaries in the amount of \$4,460,248	<u>6,116,606</u>
Gross profit	10,379,521
General and administrative expenses	<u>4,183,664</u>
	6,195,857
Non taxable income	<u>132,399</u>
NET INCOME FOR THE YEAR	<u>\$ 6,328,256</u>

The accompanying report and notes are an integral part of the financial statements.

CMA ARCHITECTS & ENGINEERS LLC
STATEMENT OF MEMBERS' EQUITY
For the year ended December 31, 2018

Balance at beginning of the year	\$ 2,989,358
Net income for the year	6,328,256
Distribution to members	<u>(2,332,991)</u>
Balance at end of the year	<u>\$ 6,984,623</u>

The accompanying report and notes are an integral part of the financial statements.

CMA ARCHITECTS & ENGINEERS LLC
STATEMENT OF CASH FLOWS
For the year ended December 31, 2018

Increase or (decrease) in cash:

Cash from operating activities:	
Net income for the year	\$ 6,328,256
Adjustment to reconcile net income to net cash provided by operating activities:	
Depreciation	14,635
(Increase) decrease in:	
Accounts receivable	(3,576,752)
Prepaid expenses and insurance	(99,958)
Increase (decrease) in:	
Accounts payable	335,692
Accounts payable-members	(73,200)
Accrued expenses payable	281,982
Unearned income	<u>(283,524)</u>
Net cash provided by operating activities	<u>2,927,131</u>
Cash flows from investing activities:	
Purchase of property, plant and equipment	<u>(35,915)</u>
Cash flows from financing activities:	
Proceeds from bank loan	1,200,000
Distribution to members	<u>(2,332,991)</u>
Net cash used in financing activities	<u>(1,132,991)</u>
INCREASE IN CASH	1,758,225
CASH AT BEGINNING OF THE YEAR	<u>946,273</u>
CASH AT END OF THE YEAR	<u>\$ 2,704,498</u>

Supplemental disclosures of cash flow information:

During the year the corporation retired property and equipment in the amount of \$101,705.

Cash paid during the year for:

Income taxes	<u>\$ 1,055,889</u>
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The accompanying report and notes are an integral part of the financial statements.

CMA ARCHITECTS & ENGINEERS LLC
NOTES TO THE FINANCIAL STATEMENTS
As of December 31, 2018

1. EXISTENCE

The Partnership was organized under the laws of the Commonwealth of Puerto Rico on August 11, 2000. During the year 2015, the Company registered a certificate of conversion to a limited liabilities company, to be effective on January 1, 2016 to practice the engineering and architectural profession, through its offices in the San Juan area.

The Company has elected to be treated as a Corporation of Individuals for income tax purposes. Net profit of the limited liability company is included in the tax return of the members based on their percentage of ownership.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. *Basis of Financial Statements Presentation* – The Partnership recognizes its income when earned, for income tax and financial statement presentation purposes. In many of its professional services contracts the Company invoices for services and related costs which will be earned through the whole duration of the contract, the same are classified as unearned income in the balance sheet and recognized when realized.
- b. *Property and Equipment* – Property and equipment are stated at cost. Additions, renewals, and betterments are capitalized whereas expenditures for maintenance and repairs are charged to expense. The cost and related accumulated depreciation of assets retired or sold are removed from the appropriate asset and depreciation accounts, and the resulting gain or loss is reflected in earnings, except for a gain or loss on assets traded where it is reflected of the basis of the newly acquired assets. Depreciation is provided over the estimated service lives, under the straight-line method.
- c. *Estimates* – The presentation 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.
- d. *Bad-Debts* - The management of the Partnership has informed that all accounts receivable are realizable for the amounts shown on the balance sheet and no allowance for bad debt is considered necessary. Bad debts expense is recognized using the direct write-off method.

CMA ARCHITECTS & ENGINEERS LLC
NOTES TO THE FINANCIAL STATEMENTS -CONTINUED
As of December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- CONTINUED

f. Subsequent Events

For purposes of these financial statements, subsequent events have been evaluated through March 26, 2019, which is the date that financial statements were available to be issued.

3. CASH AND CASH EQUIVALENTS

The Partnership maintains cash and cash equivalents at a high quality financial institution. The account is insured by the Federal Deposit Insurance Company up to \$250,000 per financial institution. As of the date of the financial statements the amount of \$2,450,498 exceeded the federally insured limits.

4. NOTE PAYABLE BANK AND SUBSEQUENT EVENTS

The amount shown corresponds to note payable to banking institution, the same requires monthly payments to principal and interests at the rate of 1.50% over prevailing prime rate, the same was repaid on February 28, 2019.

5. PENSION PLAN

The Partnership has a non-contributory defined benefit pension plan which covers all employees. The plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). The plan is administered by the Employer through a Board of Directors. A participant is eligible after attaining age twenty-one and completing one year of service. The normal retirement date is the first day of the month following the employee's 65th birthday. The plan permits early retirement after age 55 with some requirements and limitations. The employer is required to contribute annually an amount sufficient to provide the benefits for all plan participants, and to maintain the plan on an actuarial sound basis.

6. RELATED PARTY TRANSACTION

The Partnership conducts its operations in a facility owned by a related party under an operating lease agreement which requires annual payments of \$686,032 for each of the next fifteen years.

CMA ARCHITECTS & ENGINEERS LLC
AUDITED FINANCIAL STATEMENTS
As of December 31, 2017



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
CMA Architects & Engineers LLC
Guaynabo, Puerto Rico

I have audited the accompanying financial statements of CMA Architects & Engineers LLC a Puerto Rico limited liability company, which comprise the balance sheet as of December 31, 2017, and the related statements of income, member's equity and cash flows for the year then ended, and the related notes to the financial statements.

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 and Puerto Rico; 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.

Auditor's Responsibility

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

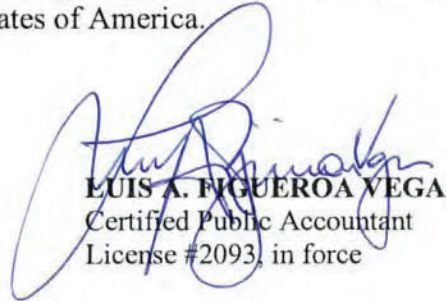
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CMA Architects & Engineers LLC as of December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.




LUIS A. FIGUEROA VEGA
Certified Public Accountant
License #2093, in force

San Juan, Puerto Rico
March 21, 2018

CMA ARCHITECTS & ENGINEERS LLC
BALANCE SHEET
As of December 31, 2017

ASSETS

CURRENT

Cash on hand and in banks	\$ 946,273
Accounts receivable:	
Trade	3,409,973
Members	99,664
Others	<u>97,492</u>
	3,607,129
Prepaid expenses and insurance	<u>184,402</u>
Total current assets	<u>4,737,804</u>

PROPERTY AND EQUIPMENT AT COST

Engineering equipment	100,591
Office furniture and equipment	<u>16,340</u>
	116,931
Less accumulated depreciation	<u>99,317</u>
Net book value of property and equipment	<u>17,614</u>
TOTAL ASSETS	<u>\$ 4,755,418</u>

The accompanying report and notes are an integral part of the financial statements.

LIABILITIES

CURRENT

Accounts payable - trade	\$ 278,073
Accounts payable – member	73,200
Accrued expenses payable	131,263
Unearned income	<u>1,283,524</u>

Total current liabilities 1,766,060

MEMBERS' EQUITY

2,989,358

TOTAL LIABILITIES &
MEMBERS' EQUITY

\$ 4,755,418

The accompanying report and notes are an integral part of the financial statements.

CMA ARCHITECTS & ENGINEERS LLC
STATEMENT OF INCOME
For the year ended December 31, 2017

Income from:	
Professional services	\$ 8,593,398
Interests	3,270
Miscellaneous	<u>10,323</u>
Total income	8,606,991
Direct costs, including production salaries in the amount of \$2,737,500	<u>3,775,309</u>
Gross profit	4,831,682
General and administrative expenses	<u>4,336,217</u>
NET INCOME FOR THE YEAR	<u>\$ 495,465</u>

The accompanying report and notes are an integral part of the financial statements.

CMA ARCHITECTS & ENGINEERS LLC
STATEMENT OF MEMBERS' EQUITY
For the year ended December 31, 2017

Balance at beginning of the year	\$ 3,102,228
Net income for the year	495,465
Distribution to members	<u>(608,335)</u>
Balance at end of the year	<u>\$ 2,989,358</u>

The accompanying report and notes are an integral part of the financial statements.

CMA ARCHITECTS & ENGINEERS LLC
STATEMENT OF CASH FLOWS
For the year ended December 31, 2017

Increase or (decrease) in cash:

Cash from operating activities:	
Net income for the year	\$ 495,465
Adjustment to reconcile net income to net cash provided by operating activities:	
Depreciation	27,425
 (Increase) decrease in:	
Accounts receivable	65,323
Prepaid expenses and insurance	56,522
 Increase (decrease) in:	
Accounts payable	72,584
Accounts payable-related company	73,200
Accrued expenses payable	42,357
Unearned income	<u>(530,000)</u>
Net cash provided by operating activities	302,876
 Cash flows from financing activities:	
Distribution to members	<u>(608,335)</u>
DECREASE IN CASH	(305,459)
CASH AT BEGINNING OF THE YEAR	<u>1,251,732</u>
CASH AT END OF THE YEAR	<u>\$ 946,273</u>

Supplemental disclosures of cash flow information:

During the year the corporation retired property and equipment in the amount of \$63,723.

Cash paid during the year for:

Income taxes	\$ <u>169,362</u>
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The accompanying report and notes are an integral part of the financial statements.

CMA ARCHITECTS & ENGINEERS LLC
NOTES TO THE FINANCIAL STATEMENTS
As of December 31, 2017

1. EXISTENCE

The Company was organized under the laws of the Commonwealth of Puerto Rico on August 11, 2000. During the year 2015, the Company registered a certificate of conversion to a limited liabilities company, to be effective on January 1, 2016 to practice the engineering and architectural profession, through its offices in the San Juan area.

The Company has elected to be treated as a Corporation of Individuals for income tax purposes. Net profit of the limited liability company is included in the tax return of the members based on their percentage of ownership.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. ***Basis of Financial Statements Presentation*** – The Company recognizes its income when earned, for income tax and financial statement presentation purposes. In many of its professional services contracts the Company invoices for services and related costs which will be earned through the whole duration of the contract, the same are classified as unearned income in the balance sheet and recognized when realized.
- b. ***Property and Equipment*** – Property and equipment are stated at cost. Additions, renewals, and betterments are capitalized whereas expenditures for maintenance and repairs are charged to expense. The cost and related accumulated depreciation of assets retired or sold are removed from the appropriate asset and depreciation accounts, and the resulting gain or loss is reflected in earnings, except for a gain or loss on assets traded where it is reflected of the basis of the newly acquired assets. Depreciation is provided over the estimated service lives, under the straight-line method.
- c. ***Estimates*** – The presentation 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.
- d. ***Bad-Debts*** - The management of the Company has informed that all accounts receivable are realizable for the amounts shown on the balance sheet and no allowance for bad debt is considered necessary. Bad debts expense is recognized using the direct write-off method.

CMA ARCHITECTS & ENGINEERS LLC
NOTES TO THE FINANCIAL STATEMENTS -CONTINUED
As of December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- CONTINUED

f. Subsequent Events

For purposes of these financial statements, subsequent events have been evaluated through March 21, 2018, which is the date that financial statements were available to be issued.

3. CASH AND CASH EQUIVALENTS

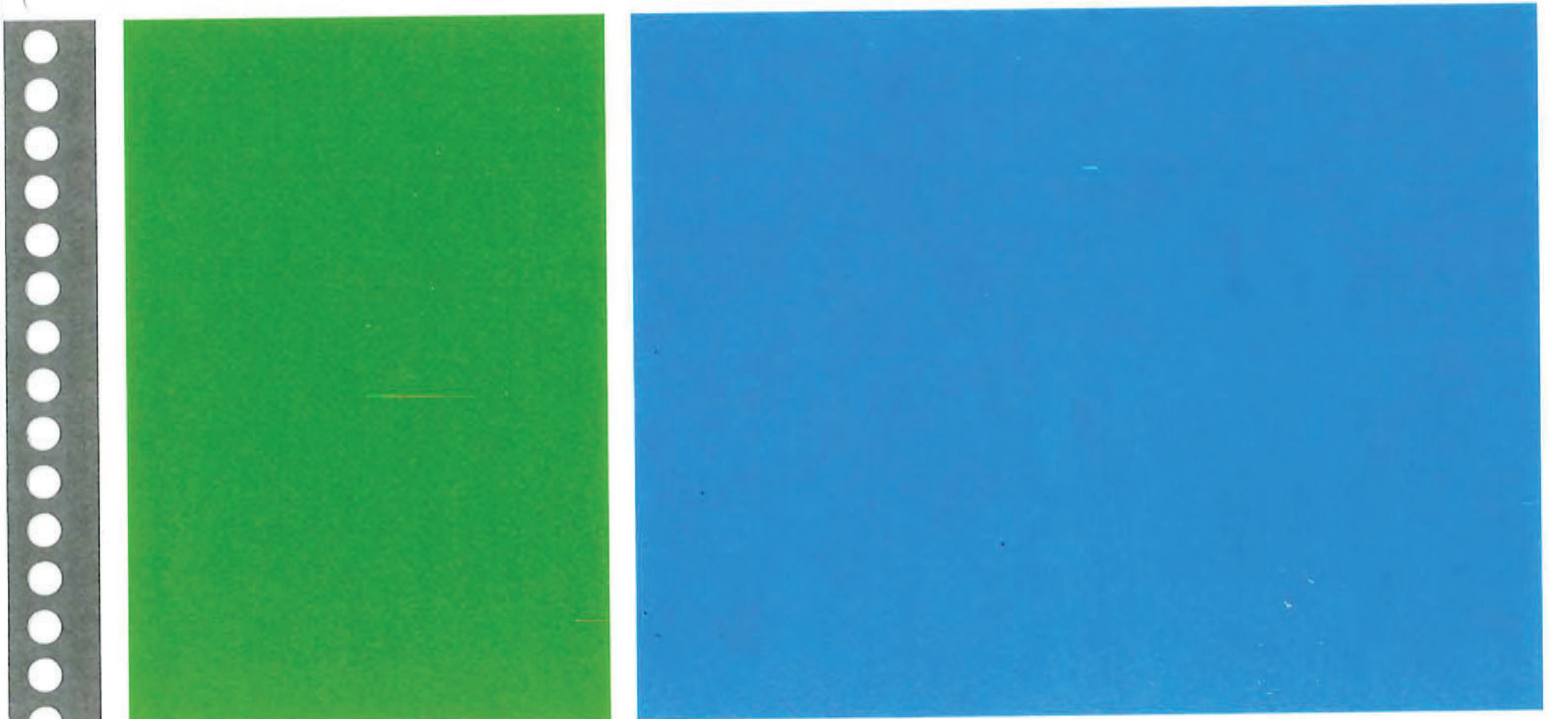
The Company maintains cash and cash equivalents at a high quality financial institution. The account is insured by the Federal Deposit Insurance Company up to \$250,000 per financial institution. As of the date of the financial statements the amount of \$692,273 exceeded the federally insured limits.

4. PENSION PLAN

The Company has a non-contributory defined benefit pension plan which covers all employees. The plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). The plan is administered by the Employer through a Board of Directors. A participant is eligible after attaining age twenty-one and completing one year of service. The normal retirement date is the first day of the month following the employee's 65th birthday. The plan permits early retirement after age 55 with some requirements and limitations. The employer is required to contribute annually an amount sufficient to provide the benefits for all plan participants, and to maintain the plan on an actuarial sound basis.

5. RELATED PARTY TRANSACTION

The Company conducts its operations in a facility owned by a related party under an operating lease agreement which requires annual payments of \$753,950.



CSA Architects & Engineers, LLP

Financial Statements
December 31, 2015 and 2014



RSM Puerto Rico

PO Box 10528
San Juan, PR 00922-0528

T (787) 751-6164

F (787) 759-7479

www.rsmpr

INDEPENDENT AUDITORS' REPORT

To: The Partners
CSA Architects & Engineers, LLP

We have audited the accompanying financial statements of CSA Architects & Engineers, LLP, a Puerto Rico Limited Liability Partnership, which comprise the balance sheets as of December 31, 2015 and 2014, and the related statements of operations and partners' deficit and cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

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

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

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



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CSA Architects & Engineers, LLP as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

San Juan, Puerto Rico
February 4, 2016.

A handwritten signature in blue ink, appearing to read "RSM Puerto Rico".

Stamp No. E227295 was affixed to
the original of this report.

CSA ARCHITECTS & ENGINEERS, LLP



BALANCE SHEETS

December 31, 2015 and 2014

	2015	2014
ASSETS		
CURRENT ASSETS:		
Cash	\$ 163,688	\$ 89,622
Accounts receivable-		
Trade, net of allowance for doubtful accounts of approximately \$27,000 in 2015	4,430,251	5,856,398
Others	18,481	98,892
Contract work in progress	1,322,897	381,751
Prepaid expenses	230,636	245,752
	<u>6,165,953</u>	<u>6,672,415</u>
NOTE RECEIVABLE FROM RELATED PARTY	4,000,000	4,000,000
DUE FROM RELATED PARTIES	17,100,520	12,241,513
PROPERTY AND EQUIPMENT, net	877,077	1,170,775
DEFERRED TAX ASSET	8,000	7,000
OTHER ASSETS	108,952	498,141
	<u>\$ 28,260,502</u>	<u>\$ 24,589,844</u>

The accompanying notes are an integral part of these balance sheets.

CSA ARCHITECTS & ENGINEERS, LLP



BALANCE SHEETS

December 31, 2015 and 2014

	2015	2014
LIABILITIES AND PARTNERS' CAPITAL		
CURRENT LIABILITIES:		
Line of credit	\$ 2,978,143	\$ -
Current portion of-		
Notes payable	300,000	300,000
Obligations under capital leases	94,113	10,652
Accounts payable-		
Trade	736,672	1,783,935
Partner	741,400	341,400
Other	37,382	33,805
Accrued liabilities	550,043	761,521
Deferred revenues	54,000	359,498
Advance billings on contracts in progress	499,590	153,268
	<u>5,991,343</u>	<u>3,744,079</u>
NOTES PAYABLE	3,651,148	3,951,148
OBLIGATION UNDER CAPITAL LEASE	174,516	-
DUE TO RELATED PARTIES	17,578,164	16,127,363
	<u>21,403,828</u>	<u>20,078,511</u>
	<u>27,395,171</u>	<u>23,822,590</u>
PARTNERS' CAPITAL:		
Equity contributions	932,573	932,573
Deficit	(67,242)	(165,319)
	<u>865,331</u>	<u>767,254</u>
	<u>\$ 28,260,502</u>	<u>\$ 24,589,844</u>

The accompanying notes are an integral part of these balance sheets.

CSA ARCHITECTS & ENGINEERS, LLP



STATEMENTS OF OPERATIONS AND PARTNERS' DEFICIT For the years ended December 31, 2015 and 2014

	2015	2014
CONTRACT REVENUE AND MANAGEMENT FEES	\$ 9,130,888	\$ 16,716,249
OPERATING EXPENSES:		
Direct costs	3,933,784	7,607,867
General and administrative	4,541,932	10,370,979
	<u>8,475,716</u>	<u>17,978,846</u>
INCOME (LOSS) FROM OPERATIONS	655,172	(1,262,597)
OTHER INCOME (EXPENSE):		
Interest expense	(308,282)	(302,299)
Loss on disposal of improvements	(279,000)	-
Other income	74,187	94,854
	<u>(513,095)</u>	<u>(207,445)</u>
INCOME (LOSS) BEFORE EXTRAORDINARY ITEM AND INCOME TAX EXPENSE	142,077	(1,470,042)
EXTRAORDINARY ITEM , gain from debt restructuring, net of tax of \$358,000 in 2014	-	1,468,181
INCOME (LOSS) BEFORE INCOME TAX EXPENSE	142,077	(1,861)
INCOME TAX EXPENSE	(44,000)	(27,000)
NET INCOME (LOSS)	98,077	(28,861)
PARTNERS' DEFICIT , beginning of year	(165,319)	(136,458)
PARTNERS' DEFICIT , end of year	\$ (67,242)	\$ (165,319)

The accompanying notes are an integral part of these statements.

CSA ARCHITECTS & ENGINEERS, LLP



STATEMENTS OF CASH FLOWS

For the years ended December 31, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 98,077	\$ (28,861)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Provision for doubtful accounts	214,237	794,268
Depreciation and amortization	293,255	348,370
Loss on disposal of improvements	279,000	-
Deferred taxes	(1,000)	255,300
Net gain from debt restructuring	-	(1,468,181)
Changes in operating assets and liabilities-		
Decrease (increase) in assets:		
Accounts receivable	(1,062,589)	(3,178,372)
Contract work in progress	(941,146)	1,542,419
Prepaid expense	15,116	269,023
Other assets	27,574	(26,051)
Increase (decrease) in liabilities:		
Accounts payable	807,115	3,326,264
Accrued liabilities	(516,976)	(74,424)
Advance billings on contracts in progress	346,322	(178,704)
Net cash provided by (used in) operating activities	<u>(441,015)</u>	<u>1,581,051</u>
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Additions to property and equipment	<u>(71,593)</u>	<u>(46,736)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net advances from (payments to) line of credit	2,978,143	(448,350)
Proceeds from (deposit to) escrow account	361,615	(361,615)
Payments to related party	(2,504,097)	-
Payments of notes payable	(300,000)	(577,874)
Advance (payments) of obligations under capital leases	51,013	(57,354)
Net cash provided by (used in) financing activities	<u>586,674</u>	<u>(1,445,193)</u>
NET INCREASE IN CASH	74,066	89,122
CASH, beginning of year	<u>89,622</u>	<u>500</u>
CASH, end of year	<u><u>\$ 163,688</u></u>	<u><u>\$ 89,622</u></u>

The accompanying notes are an integral part of these statements.



1) Operations and summary of significant accounting policies:

A) Operations – CSA Architects & Engineers, LLP (the Partnership) is part of a group of entities, affiliated through common management and controlling ownership (the Related Group), which render a wide range of engineering and architectural services, including design, construction management, environmental studies, air, ground and water studies, energy studies, and other related services.

Other entities comprising the related group are: CSA Holdings, Inc. and Subsidiaries (CSA Holdings), CSA Group NY Architects and Engineers, P.C., CSA Central Architects and Engineers, P.C. (formerly CSA Group NJ Architects & Engineers, P.C.), which are affiliated through common management and controlling ownership. Subsidiaries comprising CSA Holding's group include: Consul-Tech Caribe, Inc. (formerly CSA Group, Inc.) (including CSA Development Corporation, Energy & Environment Dynamics, Inc., CSA Group Panamá, Inc., EPC Panamá Services, Inc., and CSA Group International, LLC), CSA Central, Inc. (including ANG Associates, Inc., The Macondo Corp., and CSA Group Florida do Brazil Consultoria e Engenharia Ltda.), CSA Field Services, Inc., Consul-Tech Enterprises, Inc. (including Consul-Tech Transportation, Inc., Consul-Tech Development Services, Inc., Consul-Tech Americas, S.A. (an Argentina's corporation) and Consul-Tech Surveying and Transportation, Inc.).

B) Summary of significant accounting policies – The accounting policies followed by the Partnership conform to predominant industry practices, which are in accordance with accounting principles generally accepted in the United States of America. The most significant accounting policies followed by the Partnership are summarized below:

Use of 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.

Allowances for doubtful accounts and contract work in progress – The Partnership maintains allowances for doubtful accounts for trade accounts receivable and contract work in progress based on the current circumstances, loss experience, economic conditions and other factors of each specific contract.

Property and equipment – Is stated at cost, or in the case of equipment and vehicles under capital leases, at the lower of the present value of minimum lease payments or fair value. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets, or the lease term if shorter, in the case of leasehold improvements and capital leases, as follows:

Description	Estimated Useful Life
Equipment	1 - 3 years
Leasehold improvements	5 -10 years
Furniture and fixtures	3 - 4 years
Vehicles	3 - 5 years

NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

At the time property and equipment is sold, or otherwise disposed of, the cost and related accumulated depreciation and amortization are removed from the books and the resulting gain or loss, if any, is credited or charged to operations.

Revenue recognition and management fees – Contract revenue and management fees are recognized as services are rendered using the accrual method of accounting based on labor hours incurred. Management periodically reviews the profitability of its contracts and records allowances when necessary. The Partnership also provides for estimated losses on uncompleted contracts in the period in which losses are determined. Hours and expenses incurred in excess of amounts billed are classified as current assets under contract work in progress. Amounts billed to clients in excess of hours and expenses are classified as current liabilities under advance billings on contracts in progress.

Income tax – The Partnership uses an asset and liability approach in the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Partnership's financial statements or tax returns. Deferred tax assets and liabilities are determined for differences between financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future. The computation is based on enacted tax laws and rates applicable to periods in which the temporary differences are expected to be recovered or settled. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amounts expected to be realized.

Management has evaluated the Partnership's tax positions and concluded that it had taken no uncertain tax positions that require adjustment to the financial statements. However, the Partnership is subject to examination on its fiscal years ended December 2011 through December 2015. All applicable returns have been appropriately filed.

2) Risks:

- A) Concentrations of credit risk – Financial instruments, which potentially subject the Partnership to concentrations of credit risk, consist principally of cash and accounts receivable trade. The Partnership maintains their cash deposits with various financial institutions, which from time-to-time may exceed the amount insured by the Federal Deposit Insurance Corporation (FDIC). As of December 31, 2015 and 2014, the Partnership's cash deposits were fully insured by the FDIC's limit of \$250,000.

The Partnership's customer base also includes contracts with Puerto Rico government agencies. Contract revenue from services performed to governmental agencies as of December 31, 2015 and 2014, represents approximately 44% and 68%, respectively. As of December 31, 2015 and 2014, amounts due from Puerto Rico government agencies amounted to approximately \$4,009,000 and \$4,261,000, respectively.

As of and for the years ended December 31, 2015 and 2014, contract revenues, accounts receivable, contract work in progress and advanced billings on contracts in progress for one (1) and three (3) customers, respectively, exceeding 10% of contract revenues, amounted approximately to the following:

Description	2015	2014
Contract management and fee revenue	\$ 3,976,000	\$ 12,155,000
Accounts receivable	\$ 2,826,000	\$ 3,359,000
Contract work in progress	\$ 42,000	\$ 166,000
Advance billings on contract in progress	\$ 238,000	\$ 91,000

NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

- B) Off-balance sheet risk – The Partnership guarantees the line of credit of its Related Group, which amounted to approximately \$4,885,000 and \$8,214,000 at December 31, 2015 and 2014, respectively. Substantially, all the Partnership's and the Related Group assets are pledged as collateral to these financing arrangements.

The Partnership and the Related Group are required to maintain certain covenants, including minimum working capital, net worth, and profitability levels. In addition, the agreement prohibits the payment of cash dividends and contains certain restrictions on the Partnership and the Related Group ability to borrow money or to purchase assets or interests in other entities without the prior written consent of the bank.

3) Note receivable from related party:

The Partnership holds a note receivable from CSA Holdings, Inc. The note is uncollateralized and bears no interest. The accrued, but unpaid, principal under this note is due and payable upon demand. Principal outstanding at December 31, 2015 and 2014 amounted to \$4,000,000.

4) Property and equipment:

Property and equipment at December 31, 2015 and 2014, is summarized as follows:

Description	2015	2014
Equipment, including \$253,140 and \$76,089 under capital leases	\$ 2,092,589	\$ 1,832,359
Leasehold improvements, including \$18,327 under capital lease in 2015	1,287,363	1,891,263
Furniture and fixtures	768,643	768,643
Vehicles, including \$57,612 under capital lease in 2014	186,684	186,684
	<u>4,335,279</u>	<u>4,678,949</u>
Less: Accumulated depreciation and amortization, including \$10,787 and \$133,702 of assets under capital leases	<u>(3,458,202)</u>	<u>(3,508,174)</u>
	<u>\$ 877,077</u>	<u>\$ 1,170,775</u>

5) Line of credit:

As of December 31, 2015 and 2014, the Partnership and the Related Group have entered into a 6.5% over prime (3.5% at December 31, 2015 and 2014) or 8%, whichever is higher, revolving line of credit facility of \$3,000,000 with a commercial institution in Puerto Rico to be renewed annually at the financial institution's discretion. This credit facility was collateralized by the Partnership and Related Group's accounts receivable and the personal guarantee of the Partnership's principal partner. All drawings under this agreement were made by the Partnership.

The Partnership and the Related Group were required to maintain certain minimum working capital, net worth, and profitability levels. There was also a prohibition on the payment of cash dividends and certain restrictions on the Partnership and the Related Group ability to borrow money or to purchase assets or interests in other entities without the prior written consent of the bank.

CSA ARCHITECTS & ENGINEERS, LLP



NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

6) Notes payable:

As of December 31, 2015 and 2014, notes payable consist of the following:

Description	2015	2014
<p>5% promissory note payable to a financial institution in one single balloon payment plus accrued interest, due in March 2017. Substantially all the Partnership and the Related Group's assets are pledged as collateral of this financing agreement, including an insurance policy on behalf of the principal partner. The note was subordinated during year 2014 as part of the restructuring of debt described in Note 8.</p>	\$ 2,000,000	\$ 2,000,000
<p>8% (6% in 2014) promissory note payable to a financial institution in twelve monthly interest only payments and one annual payment of \$300,000, plus any accrued interest, due in April 2019. The note is collateralized by the Partnership and Related Group's accounts receivable. In connection with this note, the Partnership and Related Group must comply with certain financial covenants and restrictive conditions, including among others, submission of certain periodic reports, audited financial statements within 90 days after the end of fiscal year, and must comply with certain restrictions with respect to the payment of dividends and the sale of Partnership and Related Group's assets.</p>	<u>1,951,148</u>	<u>2,251,148</u>
<p>Less: Current portion</p>	<u>(300,000)</u>	<u>(300,000)</u>
	<u>\$ 3,651,148</u>	<u>\$ 3,951,148</u>

Aggregate maturities required on the notes payable at December 31, 2015 and 2014, are as follows:

Year ending December 31,	Amount
2016	\$ 300,000
2017	2,300,000
2018	300,000
2019	<u>1,051,148</u>
	<u>\$ 3,951,148</u>

NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

7) Leases:

- A) Capital leases – The Partnership has entered into various non-cancelable capital lease agreements covering the use of vehicles, equipment, leasehold improvements and furniture and fixtures. Future minimum lease payments under non-cancelable capital leases, together with the present value of net minimum lease payments as of December 31, 2015 and 2014, are as follows:

Year ending December 31,	Amount
2016	\$ 112,469
2017	105,469
2018	<u>101,365</u>
Total minimum lease payments	319,303
Less: Amount representing interest	<u>(50,674)</u>
Present value of minimum lease payments	268,629
Less: Current portion	<u>(94,113)</u>
	<u>\$ 174,516</u>

- A) Operating lease – The Partnership has entered into a ten-year operating lease agreement for the rental of its facilities expiring during year 2018. Net rent expense during the years ended December 31, 2015 and 2014 related to this agreement, amounted to approximately \$728,000 and \$901,000, respectively.

Future minimum rental commitment under non-cancelable operating lease with initial or remaining lease term in excess of one year, are approximately as follows:

Year ending December 31,	Amount
2016	\$ 492,800
2017	504,000
2018	<u>303,200</u>
	<u>\$ 1,300,000</u>

8) Gain from debt restructuring:

During the year ended December 31, 2014, the Partnership completed a bank financing arrangement with a financial institution. Concurrent with this transaction, the former financial institution restructured and retained a note payable with an outstanding balance of \$6,500,000 under a new \$2,000,000, 5% fixed rate, unsecured loan payable in one single balloon payment plus accrued interest, due in March 2017, as described in Note 6.



CSA ARCHITECTS & ENGINEERS, LLP

NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

The resulting gain from debt's restructuring was presented in the accompanying statement of operations and partners' deficit, net of restructuring costs and income taxes as follows:

Description	Amount
Gain from debt restructuring	\$ 4,500,000
Write-off of related accounts receivable	(2,170,570)
Restructuration costs	<u>(503,249)</u>
Gain from debt restructuring, net of restructuring costs	1,826,181
Income tax	<u>(358,000)</u>
Net gain from debt restructuring	<u>\$ 1,468,181</u>

9) Income tax:

The Partnership provides for income tax using applicable Puerto Rico statutory rates. However, the effective income tax rate differs from the applicable statutory rate due to certain items that are not taxable or deductible for tax purposes. The entities within the affiliated group, as defined by the Puerto Rico Internal Revenue Code, as amended, are the following: Consul-Tech Caribe, Inc. (formerly known as CSA Group, Inc.) and CSA Group International, Inc.

As of December 31, 2015 and 2014, the components of deferred tax asset are as follows:

Description	2015	2014
Allowance for doubtful accounts	\$ 8,000	\$ -
Net operating losses carry-forwards	<u>-</u>	<u>7,000</u>
	<u>\$ 8,000</u>	<u>\$ 7,000</u>

For the years ended December 31, 2015 and 2014, the components of income tax expense are as follows:

Description	2015	2014
Income tax expense at statutory rate	\$ (39,800)	\$ (76,000)
Write-off of accounts receivable	52,500	257,400
Non-deductible expenses	(21,400)	(85,100)
Allowance doubtful accounts	(60,100)	(169,600)
Benefit from use of operating losses carry-forward	23,800	65,900
Other timing differences	<u>-</u>	<u>(122,300)</u>
Current	(45,000)	(129,700)
Deferred	<u>1,000</u>	<u>(255,300)</u>
	(44,000)	(385,000)
Tax allocated to extraordinary gain for debt restructuring	<u>-</u>	<u>358,000</u>
Income tax expense	<u>\$ (44,000)</u>	<u>\$ (27,000)</u>



CSA ARCHITECTS & ENGINEERS, LLP

**NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014**

10) Employee savings plan:

The Partnership provides a 401(k) employee savings plan (the Plan) in which all employees who have completed 1,000 hours of service and attained the age of 21 are eligible to participate. Employer-matching contributions are equal to a uniform percentage or dollar amount of the employee's elective deferrals each semi-annual period. Employer match percentage is discretionary based on the Partnership's profits and is reviewed by the Board of Directors annually. The Plan's contributions for the years ended December 31, 2015 and 2014 amounted to approximately \$11,000 and \$14,000, respectively.

11) Contingencies:

The Entities are parties to certain claims arising in the ordinary course of business. Management, based on the advice of the legal counsel, is of the opinion that the outcome of such litigation will not have material adverse effect on the Entities financial position or results of operations.

12) Related parties transactions:

Certain administrative processes of the Partnership and the Related Group are shared and allocated among the Related Group. As the result of this allocation process, during the year ended December 31, 2015 and 2014, the Partnership made an allocation of common general and administrative expenses of approximately \$1,716,000. During the year ended December 31, 2014, the Partnership received \$538,000. The Partnership depends on the continued support of its majority owner and the Related Group to comply with the discharge of its obligations to the extent these are not satisfied with cash originated from its operations.

13) Supplemental disclosures for the statements of cash flows:

A) Non-cash investing and financing transactions – During the years ended December 31, 2015 and 2014, non-cash investing and financing activities were as follows:

Description	2015	2014
Financing arrangements:		
Accounts payable – related party	\$ -	\$ 6,215,712
Note payable restructured	\$ -	\$ 2,758,708
Line of credit restructured	\$ -	\$ 3,457,004
Retirement of leasehold improvements and computer equipments:		
Cost	\$ 623,897	\$ 660,115
Accumulated depreciation	\$ 344,897	\$ 660,115
Loss on disposal of leasehold improvement	\$ 279,000	\$ -
Accrued interest on refinancing	\$ -	\$ 31,566

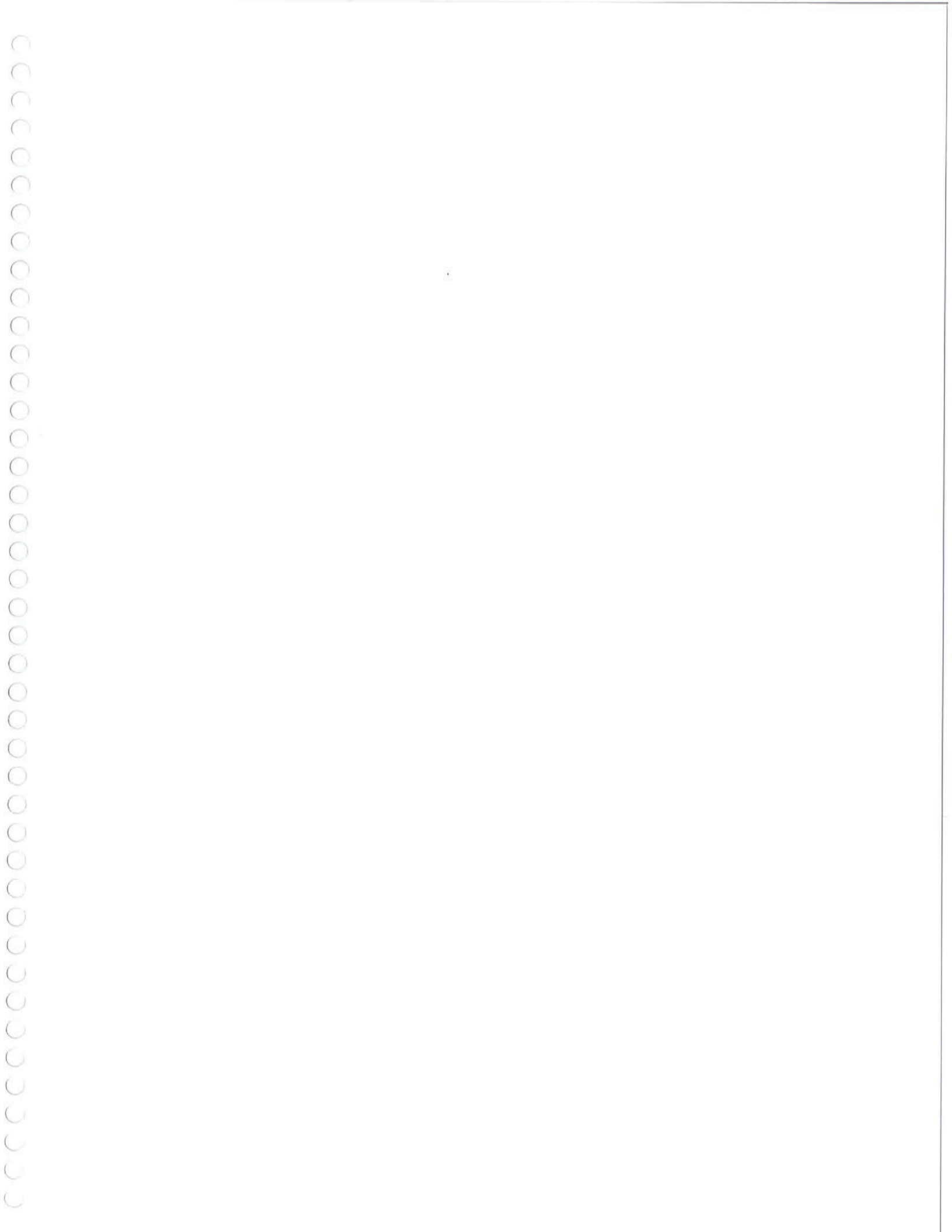
B) Other cash flows transactions – During the years ended December 31, 2015 and 2014, the Partnership made interest payments amounting to approximately \$296,900 and \$278,300, respectively. The Partnership made income tax payments for approximately \$36,400 during the year ended December 31, 2015 and 2014. There was no income tax payments during the year ended December 31, 2014.

14) Reclassifications:

Certain reclassifications were made to the December 31, 2014 financial statements in order to conform them to current year's presentation.

15) Subsequent events:

Management has evaluated subsequent events through February 4, 2016, the date on which financial statements were available to be issued.



CSA ARCHITECTS & ENGINEERS, LLP

***INDEPENDENT AUDITORS' REPORT
AND
AUDITED FINANCIAL STATEMENTS***

December 31, 2016 and 2015

CSA ARCHITECTS & ENGINEERS, LLP
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BDO PUERTO RICO, PSC
1302 Ponce De Leon Ave.
Suite 101
San Juan, Puerto Rico 00907
Tel: 787-754-3999
Fax: 787-754-3105
www.bdoopr.com

BDO USVI, LLC
Foothills Professional Building
9151 Estate Thomas, Suite 201
St. Thomas, VI 00802
Tel: 340-776-0640
Fax: 340-779-8653
www.bdousvi.com

INDEPENDENT AUDITORS' REPORT

To the Partners of
CSA Architects & Engineers, LLP:

Report on the Financial Statements

We have audited the accompanying financial statements of CSA Architects & Engineers, LLP, a Puerto Rico Limited Liability Partnership, which comprise the balance sheets as of December 31, 2016, and the related statements of operations and partners' capital/(deficit), and cash flows for the year then ended, and the related notes to the financial statements.

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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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



To the Partners of
CSA Architects & Engineers, LLP
Page 2

Opinion

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of CSA Architects & Engineers, LLP as of December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of CSA Architects & Engineers, LLP as of December 31, 2015, were audited by other auditors whose report dated February 4, 2016, expressed an unmodified opinion on those statements.

BDO Puerto Rico, PSC
San Juan, Puerto Rico

March 28, 2017

Certified Public Accountants
(of Puerto Rico)
License No. 53 Expires December 1, 2016
Stamp E264579 of P.R. Society of
Certified Public Accountants has been
affixed to the file copy of this report

CSA ARCHITECTS & ENGINEERS, LLP
BALANCE SHEETS
DECEMBER 31, 2016 AND 2015

ASSETS	<u>2016</u>	<u>2015</u>
CURRENT ASSETS:		
Cash	\$ 25,033	\$ 163,688
Accounts receivable -		
Trade, net of allowance for doubtful accounts of approximately \$30,000 in 2016 and \$27,000 in 2015	5,673,841	4,430,251
Other	19,498	18,481
Contract work in progress	489,152	1,322,897
Prepaid expenses	<u>86,761</u>	<u>230,636</u>
	6,294,285	6,165,953
NOTE RECEIVABLE FROM RELATED PARTY	4,000,000	4,000,000
DUE FROM RELATED PARTIES	27,548,186	22,043,582
PROPERTY AND EQUIPMENT, net	645,002	877,077
DEFERRED TAX ASSET	286,500	8,000
OTHER ASSETS	<u>132,923</u>	<u>108,952</u>
Total assets	<u>\$ 38,906,896</u>	<u>\$ 33,203,564</u>

Continues

The accompanying notes are an integral part of these financial statements.

CSA ARCHITECTS & ENGINEERS, LLP
BALANCE SHEETS
DECEMBER 31, 2016 AND 2015

<i>Continued</i>	<u>2016</u>	<u>2015</u>
LIABILITIES AND PARTNERS' CAPITAL		
CURRENT LIABILITIES:		
Line of credit	\$ 1,386,279	\$ 2,978,143
Current portion of:		
Notes payable	500,000	300,000
Obligation under capital lease	247,463	94,113
Accounts payable:		
Trade	158,599	736,672
Partner	730,000	741,400
Other	14,875	37,382
Accrued liabilities	784,418	550,043
Deferred revenues	-	54,000
Income tax payable	71,019	-
Advance billings on contracts in progress	-	499,590
	<u>3,892,653</u>	<u>5,991,343</u>
NOTES PAYABLE	2,034,481	3,651,148
OBLIGATION UNDER CAPITAL LEASES	184,512	174,516
DUE TO RELATED PARTIES	<u>31,652,953</u>	<u>22,521,226</u>
	<u>33,871,946</u>	<u>26,346,890</u>
	<u>37,764,599</u>	<u>32,338,233</u>
PARTNERS' CAPITAL:		
Equity contributions	932,573	932,573
Capital/(deficit)	<u>209,724</u>	<u>(67,242)</u>
	<u>1,142,297</u>	<u>865,331</u>
	<u>\$ 38,906,896</u>	<u>\$ 33,203,564</u>

The accompanying notes are an integral part of these financial statements.

CSA ARCHITECTS & ENGINEERS, LLP
STATEMENTS OF OPERATIONS AND PARTNERS' CAPITAL/(DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CONTRACT REVENUE AND MANAGEMENT FEES	\$ 6,790,407	\$ 9,130,888
OPERATING EXPENSES:		
Direct costs	2,822,011	3,933,784
General and administrative	<u>4,669,580</u>	<u>4,541,932</u>
	<u>7,491,591</u>	<u>8,475,716</u>
(LOSS)/INCOME FROM OPERATIONS	<u>(701,184)</u>	<u>655,172</u>
OTHER INCOME/(EXPENSE):		
Interest expense	(502,176)	(308,282)
Loss on disposal of improvements	-	(279,000)
Other income	21,154	74,187
Gain from debt restructuring, net of tax of \$169,328	<u>1,180,672</u>	<u>-</u>
	<u>699,650</u>	<u>(513,095)</u>
INCOME/(LOSS) BEFORE INCOME TAXES	(1,534)	142,077
INCOME TAX BENEFIT/(EXPENSE)	<u>278,500</u>	<u>(44,000)</u>
NET INCOME	276,966	98,077
PARTNERS' DEFICIT, beginning of year	<u>(67,242)</u>	<u>(165,319)</u>
PARTNERS' CAPITAL/(DEFICIT), end of year	<u>\$ 209,724</u>	<u>\$ (67,242)</u>

The accompanying notes are an integral part of these financial statements.

CSA ARCHITECTS & ENGINEERS, LLP
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
NET INCOME	\$ 276,966	\$ 98,077
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES:		
Depreciation and amortization	506,104	293,255
Provision for doubtful accounts	58,242	214,237
Loss on disposal of improvements	-	279,000
Deferred taxes	(278,500)	(1,000)
Gain from debt restructuring	(1,350,000)	-
Changes in operating assets and liabilities:		
Decrease/(increase) in accounts receivable	(6,807,452)	(1,062,589)
Decrease/(increase) in contract work in progress	833,745	(941,146)
Decrease/(increase) in prepaid expense	143,874	15,116
Decrease/(increase) in other assets	(23,972)	27,574
Increase/(decrease) in accounts payable	8,519,748	807,115
Increase/(decrease) in accrued liabilities	180,375	(516,976)
Increase/(decrease) in income tax payable	71,019	-
Increase/(decrease) in advance billings on contracts in progress	(499,590)	346,322
Net cash provided by/(used in) operating activities	<u>1,630,559</u>	<u>(441,015)</u>
CASH FLOWS USED IN INVESTING ACTIVITIES -		
Additions to property and equipment	<u>-</u>	<u>(71,593)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net (payments to)/advances from line of credit	(591,864)	2,978,143
Proceeds from escrow account	-	361,615
Payments to related party	-	(2,504,097)
Payments of notes payable	(1,066,667)	(300,000)
(Payments)/advances of obligations under capital leases	(110,683)	51,013
Net cash (used in)/provided by financing activities	<u>(1,769,214)</u>	<u>586,674</u>
NET (DECREASE)/INCREASE IN CASH	(138,655)	74,066
CASH, beginning of year	<u>163,688</u>	<u>89,622</u>
CASH, end of year	<u>\$ 25,033</u>	<u>\$ 163,688</u>

The accompanying notes are an integral part of these financial statements.

CSA ARCHITECTS & ENGINEERS, LLP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

1. NATURE OF BUSINESS

CSA Architects & Engineers, LLP (the Partnership) is a part of a group of entities, affiliated through common management and controlling ownership (the Related Group), which render a wide range of engineering and architectural services, including design, construction management, environmental studies, air, ground and water duties, energy studies, and other related services.

Other entities comprising the related group are: CSA Holdings, Inc. and Subsidiaries (CSA Holdings), CSA Group NY Architects and Engineers, P.C., CSA Central Architects and Engineers, P.C. (formerly CSA Group NJ Architects & Engineers, P.C.) which are affiliated through common management and controlling ownership. Subsidiaries comprising CSA Holding's group include: Consul-Tech Caribe, Inc. (formerly CSA Group, Inc.) (including CSA Development Corporation, Energy & Environment Dynamics, Inc., CSA Group Panamá, Inc., EPC Panamá Services, Inc., and CSA Group International, LLC), CSA Central, Inc. (including ANG Associates, Inc., The Macondo Corp., and CSA Group Florida do Brazil Consultoria e Engenharia Ltda.), CSA Field Services, Inc., Consul-Tech Enterprises, Inc. (including Consul-Tech Transportation, Inc., Consul-Tech Development Services, Inc., Consul-Tech Americas, S.A. (an Argentina's corporation) and Consul-Tech Surveying and Transportation, Inc.).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies followed by the Partnership conform to predominant industry practices, which are in accordance with accounting principles generally accepted in the United States of America. The most significant accounting policies followed by the Partnership are summarized below:

Use of 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 periods. Actual results could differ from those estimates.

Allowances for Doubtful Accounts and Contract Work in Progress - The Partnership maintain allowances for trade accounts receivable and contract work in progress based on the current circumstances, loss experience, economic conditions and other factors of each specific contract.

CSA ARCHITECTS & ENGINEERS, LLP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

Property and Equipment - Is stated at cost, or in the case of equipment and vehicles under capital leases, at the lower of the present value of minimum lease payments or fair value. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets, or the lease term if shorter, in the case of leasehold improvements and capital leases, as follows:

<u>Description</u>	<u>Estimated Useful Life</u>
Equipment	1 - 3 years
Leasehold improvements	5 - 10 years
Furniture and fixtures	3 - 4 years
Vehicles	3 - 5 years

At the time property and equipment is sold, or otherwise disposed of, the cost and related accumulated depreciation and amortization are removed from the books and the resulting gain or loss, if any, is credited or charged to operations.

Revenue Recognition and Management Fees - Contract revenue and management fees are recognized as services are rendered using the accrual method of accounting based on labor hours incurred. Management periodically reviews the profitability of its contracts and records allowances when necessary. The Partnership also provides for estimated losses on uncompleted contracts in the period in which losses are determined. Hours and expenses incurred in excess of amounts billed are classified as current assets under contract work in progress. Amounts billed to clients in excess of hours and expenses are classified as current liabilities under advance billings on contracts in progress.

Income Tax - The Partnership uses an asset and liability approach in the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Partnership's financial statements or tax returns. Deferred tax assets and liabilities are determined for differences between financial statements and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future. The computation is based on enacted tax laws and rates applicable to periods in which the temporary differences are expected to be recovered or settled. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amounts expected to be realized.

Management has evaluated the Partnership's tax positions and concluded that it had taken no uncertain tax positions that require adjustment to the financial statements. However, the Partnership is subject to examination on its fiscal years ended December 2012 through December 2016. All applicable returns have been appropriately filed.

CSA ARCHITECTS & ENGINEERS, LLP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

New Accounting Guidance:

Accounting for Leases - In February 2016, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update 2016-02, Leases (Topic-842) (ASU No. 2016-02). The amendments in this update govern a number of areas including, but not limited to, accounting for leases, replacing the existing guidance in ASC Topic No. 840, Leases. Under this standard, among other changes in practice, a lessee's rights and obligations under most leases, including existing and new arrangements, would be recognized as assets and liabilities, respectively, on the balance sheet. Other significant provisions of this standard include (i) defining the "lease term" to include the noncancellable period together with periods for which there is a significant economic incentive for the lessee to extend or not terminate the lease; (ii) defining the initial lease liability to be recorded on the balance sheet to contemplate only those variable lease payments that depend on an index or that are in substance "fixed"; and (iii) a dual approach for determining whether lease expense is recognized on a straight-line or accelerated basis, depending on whether the lessee is expected to consume more than an insignificant portion of the leased asset's economic benefits. In addition, this standard impacts the lessor's ability to capitalize costs related to the leasing of vacant space.

The guidance is effective for public entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2018. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted for all entities.

Management is currently assessing the impact, if any, the adoption of this standard will have on its financial statements and has not decided upon the method of adoption.

Going Concern Disclosures - In August 2014, the FASB issued Accounting Standards Update 2014-15, Presentation of Financial Statements –Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern ("ASU No. 2014-15"), which defines when and how companies are required to disclose going concern uncertainties, which must be evaluated each interim and annual period. Specifically, it requires management to determine whether substantial doubt exists regarding the entity's going concern presumption. Substantial doubt about an entity's ability to continue as a going concern exists when relevant conditions and events, considered in the aggregate, indicate that it is probable that the entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued (or available to be issued). If substantial doubt exists, certain disclosures are required; the extent of those disclosures depends on an evaluation of management's plans (if any) to mitigate the going concern uncertainty.

CSA ARCHITECTS & ENGINEERS, LLP
NOTES TO FINANCIAL STATEMENTS
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The guidance is effective for all entities, unless they have adopted the liquidation basis of accounting under Subtopic 205-30, and applies prospectively to annual periods ending after December 15, 2016, and to annual and interim periods thereafter. Early adoption is permitted. The Company does not anticipate that this guidance will have a material effect on the financial statements.

Income Statement - In January 2015, the FASB issued Accounting Standards Update 2015-01, Income Statement - Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items ("ASU No. 2015-01"), to eliminate the requirement in Subtopic 225-20 to consider whether an underlying event or transaction is extraordinary, and if so, to separately present the item in the income statement net of tax, after income from continuing operations. Items that are either unusual in nature or infrequently occurring will continue to be reported as a separate component of income from continuing operations. Alternatively, these amounts may still be disclosed in the notes to the financial statements.

The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year. The Company does not anticipate that this guidance will have a material effect on the financial statements.

Goodwill - In January 2014, the FASB issued Accounting Standards Update No. 2014-02—Intangibles—Goodwill and Other (Topic 350): Accounting for Goodwill (a consensus of the Private Company Council) ("ASU No. 2014-02"), to allow an accounting alternative for the subsequent measurement of goodwill. An entity within the scope of the amendments that elects the accounting alternative in this update should amortize goodwill on a straight-line basis over 10 years, or less than 10 years if the entity demonstrates that another useful life is more appropriate. An entity that elects the accounting alternative is further required to make an accounting policy election to test goodwill for impairment at either the entity level or the reporting unit level. Goodwill should be tested for impairment when a triggering event occurs that indicates that the fair value of an entity (or a reporting unit) may be below its carrying amount. When a triggering event occurs, an entity has the option to first assess qualitative factors to determine whether the quantitative impairment test is necessary. If that qualitative assessment indicates that it is more likely than not that goodwill is impaired, the entity must perform the quantitative test to compare the entity's fair value with its carrying amount, including goodwill (or the fair value of the reporting unit with the carrying amount, including goodwill, of the reporting unit). If the qualitative assessment indicates that it is not more likely than not that goodwill is impaired, further testing is unnecessary. The goodwill impairment loss, if any, represents the excess of the carrying amount of the entity over its fair value. The goodwill impairment loss cannot exceed the entity's (or the reporting unit's) carrying amount of goodwill. The disclosures required under this alternative are similar to existing U.S. GAAP. However, an entity that elects the accounting alternative is not required to present changes in goodwill in a tabular reconciliation.

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NOTES TO FINANCIAL STATEMENTS
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The accounting alternative, if elected, should be applied prospectively to goodwill existing as of the beginning of the period of adoption and new goodwill recognized in annual periods beginning after December 15, 2014, and interim periods within annual periods beginning after December 15, 2015. Early application is permitted, including application to any period for which the entity's annual or interim financial statements have not yet been made available for issuance. Management is currently assessing the impact the adoption of this standard will have on its financial statements and has not decided upon the method of adoption.

Revenue Recognition - In May 2014, the FASB issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU No. 2014-09"). This ASU is a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services.

As explained below, the effective date of this guidance was deferred by ASU 2015-14.

Revenue - In August 2015, the FASB issued Accounting Standards Update ("ASU") 2015-14 Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date to defer the effective date of ASU 2014-09 ("ASU No. 2015-14"), Revenue from Contracts with Customers by one year.

This guidance is effective for Public business entities with annual reporting periods beginning after December 15, 2017, including interim periods within that year. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim periods within that year.

For all other entities, the guidance is effective for annual reporting periods beginning after December 15, 2018, and interim periods within annual reporting periods beginning after December 15, 2019. Early adoption is permitted as of either:

- An annual reporting period beginning after December 15, 2016, including interim periods within that year, or
- An annual reporting period beginning after December 15, 2016 and interim periods within annual reporting periods beginning one year after the annual period in which an entity first applies the new standard.

Management is currently evaluating this update to determine the impact on the Company's financial position and results.

Stock Compensation - In June 2014, the FASB issued Accounting Standards Update 2014-12, Compensation-Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period (a consensus of the FASB Emerging Issues Task Force) ("ASU No. 2014-12"), to clarify that a performance target in a share-based compensation award

CSA ARCHITECTS & ENGINEERS, LLP
NOTES TO FINANCIAL STATEMENTS
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that could be achieved after an employee completes the requisite service period should be treated as a performance condition that affects the vesting of the award. As such, the performance target should not be reflected in estimating the grant-date fair value of the award.

The guidance is effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Earlier adoption is permitted. Entities may apply the amendments in this update either (a) prospectively to all awards granted or modified after the effective date or (b) retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. If retrospective transition is adopted, the cumulative effect of applying this update as of the beginning of the earliest annual period presented in the financial statements should be recognized as an adjustment to the opening retained earnings balance at that date. Additionally, if retrospective transition is adopted, an entity may use hindsight in measuring and recognizing the compensation cost. The adoption of this guidance did not have a material effect on the Company's financial statements.

Income Taxes - In July 2013, the FASB issued Accounting Standards Update No. 2013-11, Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (a consensus of the FASB Emerging Issues Task Force) ("ASU No. 2013-11"), which requires an entity to present an unrecognized tax benefit on the balance sheet as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, subject to the following exception; The ASU requires an entity to present an unrecognized tax benefit on the balance sheet as a liability under either of the following circumstances: i) a net operating loss or tax credit carryforward or similar tax loss is not available at the reporting date under the tax law to settle any additional income taxes that would result from the tax position being disallowed, or ii) the tax law does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose. In assessing whether a loss or tax credit carry forward is available to settle additional income taxes at the reporting date, entities would not consider future developments such as the subsequent expiration of a deferred tax asset. The assessment would only reflect conditions present at the reporting date. This update does not create any new disclosure requirements.

The effective date for this guidance is for fiscal years, and interim periods within those years, beginning after December 15, 2013. For nonpublic entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2014. Early adoption is permitted. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is permitted. The adoption of this guidance did not have a material effect on the Company's financial statements.

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

Income Taxes - In November 2015, the FASB issued Accounting Standards Update No. 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes ("ASU No. 2015-17") to eliminate the guidance in Topic 740, Income Taxes, that required an entity to separate deferred tax liabilities and assets between current and noncurrent amounts in a classified balance sheet. The amendments require that all deferred tax liabilities and assets of the same tax jurisdiction or a tax filing group, as well as any related valuation allowance, be offset and presented as a single noncurrent amount in a classified balance sheet.

The guidance is effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2016. For all other entities, the guidance is effective for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted as of the beginning of any interim or annual reporting period. Entities may adopt the guidance prospectively or retrospectively. Early adoption is permitted. Management is currently evaluating this update to determine the impact on the Company's financial position and results.

Consolidation - In February 2015, the FASB issued Accounting Standards Update No. 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis ("ASU No. 2015-02"), which introduces changes to the consolidation analysis which primarily affect the consolidation of limited partnerships and their equivalents (e.g., limited liability corporations), as well as structured vehicles such as issuers of collateralized debt obligations. The ASU simplifies U.S. GAAP by eliminating entity specific consolidation guidance for limited partnerships. It also revises other aspects of the consolidation analysis, including how kick-out rights, fee arrangements and related parties are assessed. The amendments rescind the indefinite deferral of FASB Statement 167 for certain investment funds and replace it with a permanent scope exception for money market funds.

The guidance is effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. For all other entities, the guidance is effective for fiscal years beginning after December 15, 2016, and for interim periods within fiscal years beginning after December 15, 2017. Early adoption is permitted. The Company does not anticipate that this guidance will have a material effect on the financial statements.

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NOTES TO FINANCIAL STATEMENTS
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Interest - In August 2015, the FASB issued Accounting Standards Update ("ASU") 2015-15, Interest Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements—Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting (SEC Update) ("ASU No. 2015-15"), which codify an SEC staff announcement that entities are permitted to defer and present debt issuance costs related to line-of-credit arrangements as assets. Given the absence of authoritative guidance within ASU 2015-03 for debt issuance costs related to line-of-credit arrangements, ASU 2015-15 clarifies that the SEC staff would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement.

The ASU and the SEC staff announcement became effective immediately. The adoption of this guidance did not have a material effect on the Company's financial statements.

Interest - In April 2015, the FASB issued Accounting Standards Update ("ASU") 2015-03, Interest Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs ("ASU No. 2015-03"), which requires that debt issuance costs be reported in the balance sheet as a direct deduction from the face amount of the related liability, consistent with the presentation of debt discounts. Prior to the amendments, debt issuance costs were presented as a deferred charge (i.e., an asset) on the balance sheet. The ASU provides examples illustrating the balance sheet presentation of notes net of their related discounts and debt issuance costs. Further, the amendments require the amortization of debt issuance costs to be reported as interest expense. Issuance costs and any discount or premium are considered in the aggregate when determining the effective interest rate on the debt.

The guidance is effective for public business entities for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The amendments are effective for all other entities for fiscal years beginning after December 15, 2015, and interim periods within fiscal years beginning after December 15, 2016. The amendments must be applied retrospectively. All entities have the option of adopting the new requirements as of an earlier date for financial statements that have not been previously issued. The Company does not anticipate that this guidance will have a material effect on the financial statements.

3. CONCENTRATION OF CREDIT RISK

Financial instruments, which potentially subject the Partnership to concentrations of credit risk, consist principally of cash and accounts receivable trade. The Partnership maintains their cash deposits with various financial institutions, which from time-to-time may exceed the amount insured by the Federal Deposit Insurance Companies (FDIC). As of December 31, 2016 and 2015, the Partnership's cash deposits are fully insured by the FDIC's limit of \$250,000.

CSA ARCHITECTS & ENGINEERS, LLP
NOTES TO FINANCIAL STATEMENTS
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The Partnership's customer base also includes contracts with Puerto Rico government agencies. Contract revenue from services performed to governmental agencies for the years ended December 31, 2016 and 2015 represents approximately 58% and 44%, respectively. As of December 31, 2016 and 2015, amounts due from Puerto Rico government agencies amounted to approximately \$4,771,000 and \$4,009,000, respectively.

During the years ended December 31, 2016 and 2015 the activities in the allowance for doubtful accounts were as follows:

<u>Description</u>	<u>2016</u>	<u>2015</u>
Beginning balance	\$ 27,000	\$ -
Bad debt expense	58,242	214,237
Write-offs	<u>(55,977)</u>	<u>(187,237)</u>
Ending balance	<u>\$ 29,265</u>	<u>\$ 27,000</u>

As of and for the years ended December 31, 2016 and 2015, contract revenues, accounts receivable, contract work in progress and advanced billings on contracts in progress for three (3) and one (1) customers, respectively, exceeding 10% of contract revenues, amounted approximately to the following:

<u>Description</u>	<u>2016</u>	<u>2015</u>
Contract revenue and management fees	<u>\$ 3,657,000</u>	<u>\$ 3,976,000</u>
Accounts receivable	<u>\$ 3,247,000</u>	<u>\$ 2,826,000</u>
Contract work in progress	<u>\$ 358,000</u>	<u>\$ 42,000</u>
Advance billings on contract in progress	<u>\$ -</u>	<u>\$ 238,000</u>

Off-balance Sheet Risk - The Companies guarantee the line of credit and notes payable of its Related Group, which amounted to approximately \$5,137,000 and \$4,885,000, at December 31, 2016 and 2015, respectively. Substantially all the Companies' and Related Group assets are pledged as cross-collateral for these financing arrangements.

4. NOTE RECEIVABLE FROM RELATED PARTY

The Partnership holds a note receivable from CSA Holdings, Inc. The note is uncollateralized and bears no interest. The unpaid principal under this note is due and payable upon demand. Principal outstanding at December 31, 2016 and 2015 amounted to \$4,000,000.

CSA ARCHITECTS & ENGINEERS, LLP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

5. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2016 and 2015, is summarized as follows:

<u>Description</u>	<u>2016</u>	<u>2015</u>
Equipment, including \$458,192 and \$253,140 under capital leases in 2016 and 2015, respectively	\$ 2,365,562	\$ 2,092,589
Leasehold improvements, including \$18,327 under capital lease	1,287,647	1,287,363
Furniture and fixtures	768,643	768,643
Vehicles	<u>186,684</u>	<u>186,684</u>
	4,608,536	4,335,279
Less: Accumulated depreciation and amortization, including \$275,829 and \$10,787 of assets under capital leases in 2016 and 2015, respectively	<u>\$ (3,963,534)</u>	<u>(3,458,202)</u>
	<u>\$ 645,002</u>	<u>\$ 877,077</u>

6. LINE OF CREDIT

The Partnership and the Related Group have entered into a 6.5% over prime (10.25% and 10.0% at December 31, 2016 and 2015, respectively) or 8%, whichever is higher, revolving line of credit facility of \$2,000,000 (\$3,000,000 in 2015) with a commercial institution in Puerto Rico to be renewed annually at the financial institution's discretion. This credit facility was collateralized by the Partnership and Related Group's accounts receivable, the personal guarantee of the Partnership's principal partner and real estate. All drawings under this agreement were made by the Partnership. During March 2016, \$1,000,000 outstanding under this line of credit were converted into a term loan, reducing the available line of credit from \$3,000,000 in 2015 to \$2,000,000 in 2016 (see note 7). This line of credit is subordinated to another \$6 million line of credit held by a related party. Balance due at December 31, 2016 and 2015 amounted to \$1,386,279, and \$2,978,143, respectively.

The Partnership and the Related Group were required to maintain certain minimum working capital, net worth and profitability levels. There was also a prohibition on the payment of cash dividends and certain restrictions on the Partnership and the Related Group ability to borrow money or to purchase assets or interests in other entities without the prior written consent of the bank.

CSA ARCHITECTS & ENGINEERS, LLP
NOTES TO FINANCIAL STATEMENTS
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7. NOTES PAYABLE

As of December 31, 2016 and 2015, notes payable consist of the following:

Description	2016	2015
5% promissory note payable to a financial institution in one single balloon payment plus accrued interest, due in March 2017. Substantially all the Partnership and the Related Group assets are pledged as collateral of this financing agreement, including an insurance policy on behalf of the principal partner. This note was paid-off during 2016 as part of a debt restructuring as fully described in note 9.	\$ -	\$ 2,000,000
8% promissory note to a financial institution. The note pays monthly interest only payments plus an annual principal payment of \$300,000 thru April 2019. The note is collateralized by the Partnership and Related Group's accounts receivable.	1,651,148	1,951,148
6.50% over the prime rate promissory note (10.25% at December 31, 2016) payable to a financial institution in sixty (60) equal monthly installments of \$16,666, plus accrued interest due in year 2021. The note is collateralized by a first line in two lands owned by a subsidiary plus a pledge over all receivables from the Commonwealth of Puerto Rico.	883,333	-
	2,534,481	3,951,148
Less: Current portion	(500,000)	(300,000)
	<u>\$ 2,034,481</u>	<u>\$ 3,651,148</u>

In connection with this note, the Partnership and Related Group must comply with certain financial covenants and restrictive conditions, including among others, submission of certain periodic reports, audited financial statements within 90 and 120 days, respectively, after the end of fiscal year, and must comply with certain restrictions with respect to the payment of dividends and the sale of Partnership and Related Group's assets. Covenants are evaluated based on the Related Group's combined operations. At December 31, 2016 and 2015, the Related Group was in compliance with such covenants.

Aggregate maturities required on the notes payable after December 31, 2016, are as follows:

Year Ending December 31,	Amount
2017	\$ 500,000
2018	500,000
2019	1,251,148
2020	200,000
2021	83,333
	<u>\$ 2,534,481</u>

CSA ARCHITECTS & ENGINEERS, LLP
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DECEMBER 31, 2016 AND 2015

8. CAPITAL LEASES

The Partnership has entered into various non-cancelable capital lease agreements covering the use of equipment and software. Future minimum lease payments under non-cancelable capital leases, together with the present value of net minimum lease payments as of December 31, 2016, are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 277,511
2018	144,506
2019	<u>73,365</u>
Total minimum lease payments	495,382
Less: Amount representing interest	<u>(63,407)</u>
Present value of minimum lease payments	431,975
Less: Current portion	<u>(247,463)</u>
	<u>\$ 184,512</u>

Operating Lease - The Partnership has entered into a ten-year operating lease agreement for the rental of its facilities expiring during year 2018. Net rent expense during the years ended December 31, 2016 and 2015, related to this agreement, amounted to approximately \$1,108,000 and \$728,000, respectively.

Future minimum rental commitment under non-cancelable operating lease with initial or remaining lease term in excess of one year, are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 919,417
2018	387,170
	<u>\$ 1,306,587</u>

9. GAIN FROM RESTRUCTURING OF DEBT

During the year ended December 31, 2016, the Partnership negotiated a debt settlement transaction in connection with a \$2,000,000 loan with a local financial institution. The debt was extinguished for \$650,000, resulting in a gain in settlement as follows:

<u>Description</u>	<u>Amount</u>
Gain from debt restructuring	\$ 1,350,000
Income tax effect	<u>(169,328)</u>
Net gain from debt restructuring	<u>\$ 1,180,672</u>

CSA ARCHITECTS & ENGINEERS, LLP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

10. INCOME TAX

The Partnership provides for income tax using applicable Puerto Rico statutory rates. However, the effective income tax rate differs from the applicable statutory rate due to certain items that are not taxable or deductible for tax purposes. The entities within the affiliated group, as defined by the Puerto Rico Internal Revenue Code, as amended, are the following: Consul-Tech Caribe, Inc. (formerly known as CSA Group, Inc.) and CSA Group International, Inc.

As of December 31, 2016 and 2015, the components of deferred tax asset are as follows:

Description	2016	2015
Allowance for doubtful accounts	\$ 10,200	\$ 8,000
Alternative minimum tax credit	201,400	-
Depreciation	74,900	-
	\$ 286,500	\$ 8,000

For the years ended December 31, 2016 and 2015, the components of income tax expense are as follows:

Description	2016	2015
Income tax expense at statutory rate	\$ (59,000)	\$ (39,800)
Depreciation	(75,300)	-
Write-off of accounts receivable	19,600	52,500
Non-deductible expenses	(53,000)	(21,400)
Allowance for doubtful accounts	(20,500)	(60,100)
Benefit from use of operating losses carry-forward	-	23,800
Other timing differences	188,200	-
Current provision	-	(45,000)
Deferred provision	\$ 278,500	\$ 1,000

CSA ARCHITECTS & ENGINEERS, LLP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

11. EMPLOYEE SAVINGS PLAN

The Partnership employees participate in a savings plan for Puerto Rico employees who have completed 1,000 hours of service and attained the age of 21. Employer match percentage is discretionary based on the Entities' profits and is reviewed by the Board of Directors annually. The Plan's contributions for the years ended December 31, 2016 and 2015, amounted to approximately \$9,500 and \$11,000, respectively.

12. CONTINGENCIES

The entities comprising the Related Group are parties to certain claims arising in the ordinary course of business. Management, based on the advice of the legal counsel, is of the opinion that the outcome of such litigation will not have material adverse effect on the entities' financial position or results of operations.

13. RELATED PARTIES TRANSACTIONS

Certain administrative processes of the Partnership and the Related Group are shared and allocated among the offices of the Related Group. During the years ended December 31, 2016 and 2015, the Partnership charged to related parties an allocation of common general and administrative expenses of approximately \$1,369,000 and \$1,716,000, respectively.

The Partnership depends on the continued support of its majority owner and the Related Group to comply with the discharge of its obligations to the extent these are not satisfied with cash originated from its operations.

14. SUPPLEMENTAL DISCLOSURES FOR THE STATEMENT OF CASH FLOWS

Non-cash transactions - During the years ended December 31, 2016 and 2015, non-cash investing and financing activities were as follows:

<u>Description</u>	<u>2016</u>	<u>2015</u>
Financing arrangements:		
Line of credit converted to notes payable	\$ 1,000,000	\$ -
Retirement of leasehold improvements and computer equipments:		
Cost	\$ -	\$ 623,897
Accumulated depreciation	\$ -	\$ 344,897
Loss from leasehold improvement retirement	\$ -	\$ 279,000
Accounts receivable write-off	\$ 55,977	\$ 187,237
Equipment acquired through obligation under capital leases	\$ 274,000	\$ -

CSA ARCHITECTS & ENGINEERS, LLP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

Other Cash Flows Transactions - During the years ended December 31, 2016 and 2015, the Partnership made interest payments amounting to approximately \$456,600 and \$296,900, respectively. The Partnership made income tax payments for approximately \$26,500 and \$36,400 during the years ended December 31, 2016 and 2015.

15. RECLASSIFICATIONS

Certain reclassifications were made to the 2015 financial statements, in order to conform them to the current year's presentation.

16. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 28, 2017, the date on which financial statements were available to be issued and concluded that there are no subsequent events that require additional disclosures in the Partnership's financial statements.



Kevane
Grant Thornton

Financial Statements and Report of
Independent Certified Public Accountants

CSA Architects & Engineers, LLP

December 31, 2017 and 2016

CSA Architects & Engineers, LLP

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Kevane Grant Thornton LLP
33 Bolivia Street
Suite 400
San Juan, Puerto Rico 00917-2013

T + 1 787 754 1915

F + 1 787 751 1284

E kgt@pr.gt.com

[linkedin.com/company/kevane-grant-thornton](https://www.linkedin.com/company/kevane-grant-thornton)
[facebook.com/kevanegrantthornton](https://www.facebook.com/kevanegrantthornton)

Report of Independent Certified Public Accountants

**To the Partners of
CSA Architects & Engineers, LLP:**

Report on the Financial Statements

We have audited the accompanying financial statements of **CSA Architects & Engineers, LLP** (a Puerto Rico Limited Liability Partnership) ("the Partnership"), which comprise the balance sheet as of December 31, 2017, and the related statements of operations and partners' capital, and cash flows for the year then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

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

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

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



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **CSA Architects & Engineers, LLP** as of December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of **CSA Architects & Engineers, LLP** as of December 31, 2016, were audited by other auditors whose report dated March 28, 2017, expressed an unmodified opinion on those statements.

Kevane Grant Thornton LLP

San Juan, Puerto Rico
April 30, 2018.



CSA Architect & Engineers, LLP

Balance Sheets December 31, 2017 and 2016

	<u>Assets</u>	
	<u>2017</u>	<u>2016</u>
Current assets:		
Cash	\$ 169,335	\$ 25,033
Accounts receivable:		
Trade, net of allowance for doubtful accounts of \$231,060 and \$29,266 in 2017 and 2016, respectively	4,803,594	5,673,841
Other	-	19,498
Contract work in progress	752,007	489,152
Prepaid expenses, including prepaid taxes of \$19,437 in 2017	160,873	86,761
Total current assets	5,885,809	6,294,285
Note receivable from related party	-	4,000,000
Due from related parties	46,168,657	27,548,186
Property and equipment, net	721,032	645,002
Deferred tax asset	1,021,427	286,500
Other assets	138,197	132,923
Total assets	<u>\$ 53,935,122</u>	<u>\$ 38,906,896</u>

CSA Architect & Engineers, LLP

Balance Sheets December 31, 2017 and 2016

	<u>Liabilities and Partners' Capital</u>	
	<u>2017</u>	<u>2016</u>
Current liabilities:		
Line of credit	\$ -	\$ 1,386,279
Notes payable - current portion	-	500,000
Obligations under capital leases - current portion	316,414	247,463
Accounts payable:		
Trade	513,890	158,599
Partner	705,000	730,000
Other	-	14,875
Accrued expenses	445,475	784,418
Income tax payable	55,949	71,019
	<u>2,036,728</u>	<u>3,892,653</u>
Total current liabilities		
Notes payable	15,000,000	2,034,481
Obligations under capital leases	135,169	184,512
Due to related parties	<u>34,907,729</u>	<u>31,652,953</u>
	<u>52,079,626</u>	<u>37,764,599</u>
Total liabilities		
Partners' capital:		
Contributed capital	932,573	932,573
Accumulated earnings	<u>922,923</u>	<u>209,724</u>
	<u>1,855,496</u>	<u>1,142,297</u>
Total partners' capital		
Total liabilities and partners' capital	<u>\$ 53,935,122</u>	<u>\$ 38,906,896</u>

CSA Architects & Engineers, LLP

Statements of Operations and Partners' Capital Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Contract revenue and management fees	<u>\$ 8,313,502</u>	<u>\$ 6,790,407</u>
Operating expenses:		
Direct costs	3,501,746	2,822,011
General and administrative	<u>2,981,227</u>	<u>4,669,580</u>
Total operating expenses	<u>6,482,973</u>	<u>7,491,591</u>
Operating income (loss)	<u>1,830,529</u>	<u>(701,184)</u>
Other (expense) income:		
Interest expense	(658,646)	(502,176)
Other income	17,835	21,154
(Loss) gain from debt restructuring, net of tax of \$169,328 in 2016	<u>(1,235,674)</u>	<u>1,180,672</u>
Total other (expense) income	<u>(1,876,485)</u>	<u>699,650</u>
Loss before income tax benefit	(45,956)	(1,534)
Income tax benefit (provision):		
Current	24,228	-
Deferred	<u>734,927</u>	<u>278,500</u>
Income tax benefit, net	<u>759,155</u>	<u>278,500</u>
Net income	713,199	276,966
Accumulated earnings, beginning of year	<u>209,724</u>	<u>(67,242)</u>
Accumulated earnings, end of year	<u>\$ 922,923</u>	<u>\$ 209,724</u>

CSA Architects & Engineers, LLP

Statements of Cash Flows Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Net income	\$ 713,199	\$ 276,966
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities--		
Depreciation and amortization	451,861	506,104
Bad debts	427,610	58,242
Deferred tax assets	(734,927)	(278,500)
(Loss) gain from debt restructuring	1,235,674	(1,350,000)
(Increase) decrease in operating assets:		
Accounts receivable	462,135	(5,563,862)
Contract work in progress	(262,855)	833,745
Prepaid expenses	(74,112)	143,874
Due from related parties	(14,620,471)	7,887,738
Other assets	(5,274)	(23,972)
Increase (decrease) in operating liabilities:		
Accounts payable	315,416	(611,580)
Accrued expenses	(338,943)	71,019
Income taxes payable	(15,070)	180,375
Due to related parties	3,254,776	-
Advance billings on contracts in progress	-	(499,590)
Total adjustments	<u>(9,904,180)</u>	<u>1,353,593</u>
Net cash (used in) provided by operating activities	<u>(9,190,981)</u>	<u>1,630,559</u>
Cash flows used in investing activities--		
Payments for acquisition of property and equipment	<u>(25,730)</u>	<u>-</u>
Cash flows from financing activities:		
Payments to line of credit	(1,386,279)	(591,864)
Payments of notes payable	(3,769,481)	(1,066,667)
Proceeds from notes payable	15,000,000	-
Payments of obligations under capital leases	<u>(483,227)</u>	<u>(110,683)</u>
Net cash provided by (used in) financing activities	<u>9,361,013</u>	<u>(1,769,214)</u>
Net increase (decrease) in cash	144,302	(138,655)
Cash, beginning of year	<u>25,033</u>	<u>163,688</u>
Cash, end of year	<u>\$ 169,335</u>	<u>\$ 25,033</u>

CSA Architects & Engineers, LLP

Statements of Cash Flows Years Ended December 31, 2017 and 2016

Supplemental disclosures:

	<u>2017</u>	<u>2016</u>
Income taxes paid	\$ 37,800	\$ 26,500
Interest paid	\$ 771,347	\$ 456,600

Supplemental schedule of non-cash investing and financing transactions:

During the years ended December 31, 2017 and 2016, non-cash investing and financing activities were as follows:

	<u>2017</u>	<u>2016</u>
Line of credit converted to notes payable	\$ -	\$ 1,000,000
Accounts receivable write off	\$ 225,816	\$ 55,977
Equipment acquired through obligation under capital leases	\$ 502,835	\$ 274,000
Note payable to related party reclassified to due from related parties	\$ 4,000,000	\$ -

CSA Architects & Engineers, LLP

Notes to Financial Statements December 31, 2017 and 2016

(1) Nature of business:

CSA Architects & Engineers, LLP (the Partnership) is a part of a group of entities, affiliated through common management and controlling ownership (the Related Group), which render a wide range of engineering and architectural services, including design, construction management, environmental studies, air, ground and water studies, energy studies, and other related services.

Other entities comprising the related group are: CSA Holdings, Inc. and Subsidiaries (CSA Holdings), CSA NY Architects & Engineers, P.C., and CSA Central Architects and Engineers, P.C., which are affiliated through common management and controlling ownership. Subsidiaries comprising CSA Holdings' group include: Consul-Tech Caribe, Inc., including CSA Development Corporation, CSA Group Panamá and EPC Panamá Services, Inc., CSA Central, Inc. (including ANG Associates, Inc.), Consul-Tech Enterprises, Inc., Consul-Tech Americas, S.A. (an Argentinian corporation) and Consul-Tech Surveying and Transportation, Inc.

(2) Summary of significant accounting policies:

The significant accounting policies followed by the Partnership are summarized as follows:

(a) Basis of presentation –

The Partnership's fiscal year ends on December 31st of each year. All references to years in these notes to financial statements represent calendar years then ended, unless otherwise noted. The Partnership has evaluated subsequent events through April 30, 2018, the date the financial statements were available to be issued.

(b) Revenue recognition and management fees –

Contract revenue and management fees are recognized as services are rendered using the accrual method of accounting based on labor hours incurred. Management periodically reviews the profitability of its contracts and records allowances when necessary. The Partnership also provides for estimated losses on uncompleted contracts in the period in which losses are determined. Hours and expenses incurred are recognized in excess of amounts billed are classified as current assets under contract work in progress. Amounts billed to clients in excess of hours and expenses are classified as current liabilities under advance billings on contracts in progress.

(c) Allowance for doubtful accounts and contract work in progress –

The Partnership maintains allowances for trade accounts receivable and contract work in progress based on the current circumstances, loss experience, economic conditions and other factors of each specific contract.

CSA Architects & Engineers, LLP

Notes to Financial Statements December 31, 2017 and 2016

(d) **Property and equipment –**

Property and equipment is stated at cost, or in the case of equipment and vehicles under capital leases, at the lower of the present value of minimum lease payments or fair value. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets, or the lease term if shorter, in the case of leasehold improvements and capital leases, as follows:

<u>Description</u>	<u>Estimated Useful Life</u>
Equipment	1 - 3 years
Leasehold improvements	5 -10 years
Furniture and fixtures	3 - 4 years
Vehicles	3 - 5 years

(e) **Impairment of long-lived assets –**

The Partnership reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. As of December 31, 2017 and 2016, there was no impairment loss.

(f) **Use of estimates –**

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

(g) **Income taxes –**

Income taxes are accounted for using the asset and liability method under which deferred income taxes are recognized for the tax consequences of “temporary differences” by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities and operating loss carry-forwards. The effect of deferred taxes for a change in tax rates is recognized in income in the period that includes the enactment date. Management provides valuation allowances against the deferred tax asset for amounts which are not considered “more likely than not” to be realized.

The Partnership follows the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Partnership may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods.