

CONSTRUCTION UNLIMITED, LLC

FINANCIAL REPORT
(Unaudited)

December 31, 2023 and 2022

C O N T E N T S

	Page
INDEPENDENT ACCOUNTANT'S REVIEW REPORT	1 - 2
FINANCIAL STATEMENTS	
Unaudited balance sheets	3
Unaudited statements of operations and members' equity	4
Unaudited statements of cash flows	5
Notes to unaudited financial statements	6 - 9

Luton & Co., PLLC

CERTIFIED PUBLIC ACCOUNTANTS

2615 Kelley Pointe Parkway
Edmond, Oklahoma 73013

1616 S Main
Tulsa, Oklahoma 74119

PH: 405.848.7313 Fax: 405.848.7316

David R. Brady
Haley R. Dumas

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors
Construction Unlimited, LLC
Oklahoma City, Oklahoma

We have reviewed the accompanying financial statements of Construction Unlimited, LLC, which comprise the balance sheets as of December 31, 2023 and 2022 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. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

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

Accountant's Responsibility

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

We are required to be independent of Construction Unlimited, LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.

Basis For Qualified Conclusion

Accounting principles generally accepted in the United States of America require certain operating leases, effective January 1, 2022, be included on the balance sheet as right of use assets with offsetting lease liabilities, with a portion of the liability being current. Management has continued to account for operating leases in accordance with previous guidance. The effects of this departure from accounting principles generally accepted in the United States of America on financial position, results of operations, and cash flows, have not been determined.

Qualified Conclusion

Based on our reviews, except for the effect of the matter described in the Basis for Qualified Conclusion paragraph, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Lutan & W., PLLC

Edmond, Oklahoma

February 29, 2024

CONSTRUCTION UNLIMITED, LLC

UNAUDITED BALANCE SHEETS

December 31, 2023 and 2022

ASSETS		2023	2022
CURRENT ASSETS			
Cash and cash equivalents		\$ 871,003	\$ 1,631,037
Contract receivables		1,649,758	1,004,049
Other receivables		-	21,919
Contract assets, including conditional retainage of \$0 in 2023 and \$62,909 in 2022		127,630	70,759
Total current assets		<u>2,648,391</u>	<u>2,727,764</u>
EQUIPMENT, at cost			
Office furniture and equipment		54,846	54,846
Machinery and equipment		356,702	290,377
Vehicles		268,065	268,065
		<u>679,613</u>	<u>613,288</u>
Less accumulated depreciation		<u>499,396</u>	<u>443,952</u>
		<u>180,217</u>	<u>169,336</u>
		<u>\$ 2,828,608</u>	<u>\$ 2,897,100</u>
LIABILITIES AND MEMBERS' EQUITY			
CURRENT LIABILITIES			
Current portion of long-term debt		\$ -	\$ 8,404
Accounts payable		612,036	780,424
Payroll taxes payable		125,228	13,346
Due to retirement plan		100,728	66,177
State income tax payable		8,771	44,025
Contract liabilities, net of conditional retainage of \$0 in 2023 and \$260,853 in 2022		66,204	232,978
Total current liabilities		<u>912,967</u>	<u>1,145,354</u>
LONG-TERM DEBT			
Notes payable, less current portion		-	-
MEMBERS' EQUITY			
Members' equity		<u>1,915,641</u>	<u>1,751,746</u>
		<u>\$ 2,828,608</u>	<u>\$ 2,897,100</u>

SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT

The Notes to Unaudited Financial Statements are an integral part of these statements.

CONSTRUCTION UNLIMITED, LLC

UNAUDITED STATEMENTS OF OPERATIONS
AND MEMBERS' EQUITY

Years Ended December 31, 2023 and 2022

	2023	2022
Contract revenues earned	\$ 8,304,216	\$ 8,235,332
Cost of contract revenues	<u>6,864,547</u>	<u>7,363,992</u>
Gross profit	1,439,669	871,340
Operating expenses	<u>1,047,960</u>	<u>680,234</u>
Net income from operations	391,709	191,106
Other income (expense):		
Other income	1,583	18,010
Investment income	52,973	22,062
Interest expense	(35)	-
Gain on sale of equipment	-	17,000
Gain (loss) on sale of securities	<u>-</u>	<u>(14,852)</u>
	<u>54,521</u>	<u>42,220</u>
Net income before tax	446,230	233,326
State income tax	<u>21,335</u>	<u>10,636</u>
Net income	424,895	222,690
Members' equity, beginning	1,751,746	1,965,948
Member withdrawals	<u>(261,000)</u>	<u>(436,892)</u>
Members' equity, ending	<u>\$ 1,915,641</u>	<u>\$ 1,751,746</u>

SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT

The Notes to Unaudited Financial Statements are an integral part of these statements.

CONSTRUCTION UNLIMITED, LLC

UNAUDITED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2023 and 2022

Increase (Decrease) in Cash and Cash Equivalents	2023	2022	Reconciliation of Net Income to Net Cash Provided (Used) by Operating Activities	2023	2022
Cash flows from operating activities:			Net income	\$ 424,895	\$ 222,690
Cash received from customers	\$ 7,434,862	\$ 8,380,630	Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Cash paid to vendors and employees	(7,790,922)	(8,057,115)	Depreciation	55,444	57,146
Interest paid	(35)	-	(Gain) loss on sale of equipment	-	(17,000)
Investment income received	52,973	22,062	(Gain) loss on sale of securities	-	14,852
Cash paid to retirement plan	(66,177)	(75,208)	Decrease (increase) in		
Other income	1,583	18,010	Contract receivables	(645,708)	(90,802)
State income tax paid	(56,589)	(40,328)	Other receivables	21,919	-
			Contract assets	(56,872)	263,407
			Increase (decrease) in:		
			Accounts payable	(168,388)	(191,354)
			Payroll taxes payable	111,882	4,353
			Due to retirement plan	34,551	(9,031)
			State income tax payable	(35,254)	21,097
			Contract liabilities	(166,774)	(27,307)
Net cash provided (used) by operating activities	<u>(424,305)</u>	<u>248,051</u>	Net cash provided (used) by operating activities	<u>\$ (424,305)</u>	<u>\$ 248,051</u>
Cash flows from investing activities:					
Purchase of fixed assets	(66,325)	(65,000)			
Proceeds from sale of equipment	-	17,000			
Proceeds from sale of securities	-	830,114			
Purchase of securities	<u>-</u>	<u>(844,966)</u>			
Net provided (used) by investing activities	<u>(66,325)</u>	<u>(62,852)</u>			
Cash flows from financing activities:					
Payments on borrowings	(8,404)	(8,954)			
Distributions to members	<u>(261,000)</u>	<u>(436,892)</u>			
Net cash provided (used) by financing activities	<u>(269,404)</u>	<u>(445,846)</u>			
Net increase (decrease) in cash and cash equivalents	(760,034)	(260,647)			
Cash and cash equivalents at beginning of year	<u>1,631,037</u>	<u>1,891,684</u>			
Cash and cash equivalents at end of year	<u>\$ 871,003</u>	<u>\$ 1,631,037</u>			

SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT

CONSTRUCTION UNLIMITED, LLC

NOTES TO UNAUDITED FINANCIAL STATEMENTS

December 31, 2023 and 2022

Note 1. Significant Accounting Policies

Company's activities and operating cycle

Construction Unlimited, LLC (the "Company") is a general contractor located in Oklahoma City, Oklahoma. Work is performed in Oklahoma for both private and public sector customers. Therefore, the Company's viability is dependent on the strength of the construction industry, particularly in Oklahoma, and the ability to collect on its contracts. The work is done under cost-plus-fee contracts, fixed price contracts, and fixed price contracts modified by incentive and penalty provisions. The length of the Company's contracts varies but is typically less than one year, therefore assets and liabilities are classified as current and noncurrent, although some contract related items in the balance sheets may not be realized and liquidated within one year.

Revenue and cost recognition

The Company's typical construction activities are considered to be single performance obligations that are satisfied over time. Payment is also typically due over time in installments, based on project phases as specified in the contract with final payment due upon the completion of the performance obligation.

Revenues from fixed-price and modified fixed-price construction contracts are recognized using the cost-to-cost input method, measured by the percentage of cost incurred to date to estimated total cost for each contract. That method is used because management considers total cost to be the best available measure of progress on the contracts. Because of inherent uncertainties in estimating costs, it is at least reasonably possible that the estimates used will change within the near term and the effect of such change could be material to the accompanying financial statements. Revenue from cost-plus-fee contracts is recognized on the basis of costs incurred during the period plus the fee earned.

Contract costs include all direct material, subcontractor and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, and insurance. Selling, general, and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability, including those arising from contract penalty provisions, and final contract settlements may result in revisions to costs and income and are recognized in the period in which the revisions are determined. Changes in job profitability resulting from variable consideration (such as incentives for early or timely completion, penalties for late completion, claims for which there are enforceable rights or contract modifications/change orders in which the scope of modification has been approved but the price has not been determined or approved) are accounted for as changes in estimates in the current period, but limited to an amount that would not result in a significant reversal of revenue in future periods.

Contract assets and contract liabilities

Amounts included in contract assets and contract liabilities are related to the Company's long-term construction contracts. Contract assets represent revenue recognized in excess of amounts received or receivable (contract receivables) by the Company on uncompleted contracts. Contract liabilities represent the Company's obligation to perform on uncompleted contracts with customers for which the Company has received payment or for which contract receivables are outstanding.

SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT

CONSTRUCTION UNLIMITED, LLC

NOTES TO UNAUDITED FINANCIAL STATEMENTS

December 31, 2023 and 2022

Note 1. Significant Accounting Policies, continued

Contract receivables and credit policy

Contract receivables are recorded on construction contracts and include billed and unbilled amounts for services provided to customers for which the Company has an unconditional right to payment. Billed and unbilled amounts for which payment is contingent on anything other than the passage of time are included in contract assets and contract liabilities on a net basis at the individual contract level.

The Company does not provide an allowance for doubtful accounts. Contract receivables deemed to be uncollectible are charged directly against income. In the opinion of management, contract receivables appearing in the balance sheets are collectible in full and the amount required for an allowance for doubtful accounts would be immaterial. The Company follows the practice of filing statutory liens on all construction projects where collection problems are anticipated.

Property and equipment

Property and equipment are recorded at cost. Depreciation is provided on the straight-line method for financial reporting purposes and accelerated methods for income tax purposes, over the estimated useful lives of the assets as follows:

Office furniture and equipment	3 - 10 years
Machinery and equipment	3 - 10 years
Vehicles	5 years

Income taxes

Construction Unlimited, LLC has elected to file its tax returns under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, the Company does not pay federal or state corporate income taxes on its taxable income. Instead, the members are liable for individual federal and state income taxes on the Company's taxable income. As noted above, the Company uses accelerated methods of depreciation for tax purposes which results in a timing difference.

Effective January 1, 2021, the Company made an election under the Oklahoma Pass-Through Entity Tax Equity Act to be taxed at the entity level for state income tax purposes. Accordingly, the Company will incur state income tax expense and the members will not be responsible for state income taxes on this income.

Cash and cash equivalents

For purposes of the statement of cash flows, the Company considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

Use of estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT

CONSTRUCTION UNLIMITED, LLC

NOTES TO UNAUDITED FINANCIAL STATEMENTS

December 31, 2023 and 2022

Note 1. Significant Accounting Policies, continued

Warranties

The Company generally provides a one-year warranty covering its construction projects. In most cases, warranty issues will fall to one of the project's subcontractors. Historically, the Company's share of warranty costs has not been significant; therefore, the Company follows the policy of expensing these costs in the period incurred.

Note 2. Contracts in Progress

Data relative to contracts in process at December 31, is as follows:

	2023	2022
Expenditures on uncompleted contracts	\$1,571,725	\$5,808,880
Estimated earnings thereon	<u>117,237</u>	<u>193,870</u>
	1,688,962	6,002,750
Less billings, excluding conditional retainage	<u>1,627,536</u>	<u>6,164,969</u>
	<u>\$ 61,426</u>	<u>\$ (162,219)</u>

Included in the accompanying balance sheets under the following captions:

Contract assets	\$ 127,630	\$ 70,759
Contract liabilities	<u>(66,204)</u>	<u>(232,978)</u>
	<u>\$ 61,426</u>	<u>\$ (162,219)</u>

At January 1, 2022, balances of contract receivables, assets and liabilities were as follows:

Contract receivables	<u>\$ 913,247</u>
Contract assets	<u>\$ 334,166</u>
Contracts liabilities	<u>\$ (260,285)</u>

Note 3. Retirement Plan

The company started a SEP-IRA retirement plan in 2017, benefitting employees who meet certain age and length of service requirements. Contributions to the plan are discretionary. The Company contribution to the plan for 2023 and 2022 was \$100,728 and \$66,177, respectively.

SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT

CONSTRUCTION UNLIMITED, LLC

NOTES TO UNAUDITED FINANCIAL STATEMENTS
December 31, 2023 and 2022

Note 4. Related Party Transactions

The Company's offices are located in a building owned by a related entity, which is owned by two of the Company's three members. There was no rent charged to the Company prior to 2020. Effective January 1, 2020, the Company entered into a five-year lease on its office space with this related entity. The lease calls for monthly payments of \$5,000 for the first year and escalating amounts for each of the ensuing four years. Additionally, common area maintenance ("CAM") charges of \$2 per square foot will be due on a monthly basis and such costs will be adjusted annually. The lease can be extended for an additional five years by mutual agreement. Including the CAM charges, the total expense was \$65,000 for 2023 and 2022. Future minimum lease payments, exclusive of the CAM charges, are as follows:

Year ending December 31,

2024	\$ 64,203
2025	<u>5,359</u>

\$ 69,562

Some of the Company's work is for related entities. Total 2023 contract revenues for work performed for related entities was \$461,891 with a gross profit of \$24,179. Contract receivables at December 31, 2023, included \$136,040 from the related entities. Total 2022 contract revenues for work performed for related entities was \$662,347 with a gross profit (loss) of \$(8,717). Contract receivables at December 31, 2022, included \$200,488 from the related entities.

Note 5. Concentrations of Credit Risk

The Company grants credit to its customers, primarily located in central Oklahoma, during the normal course of its business. The Company requires no collateral from its customers but is generally protected through construction lien rights.

Note 6. Contingencies

From time to time the Company may be involved in lawsuits arising in the ordinary course of business which, in the opinion of management and their legal counsel, will not have a material effect on the Company's financial position.

Note 7. Subsequent Events

Management has reviewed subsequent events through the report date of February 29, 2024 the date the report was available to be issued, and has determined that no events occurred which would require disclosure in these financial statements.

SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT