

ABC CONSTRUCTION, INC.

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

DECEMBER 31, 2010

SAMPLE

ABC CONSTRUCTION, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2010

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SAMPLE

(On CPA'S Letterhead)

ACCOUNTANTS' COMPILATION REPORT

Board of Directors
ABC Construction, Inc.
Los Angeles, California

We have compiled the accompanying balance sheet of ABC Construction, Inc. (a California Corporation) as of December 31, 2010, and the related statements of operations and retained earnings and cash flows for the year then ended, and the accompanying schedules which are presented only for supplementary analysis purposes. We have not audited or reviewed the accompanying financial statements and supplementary schedules and, accordingly, do not express an opinion or provide any assurance about whether the financial statements and supplementary schedules are in accordance with accounting principles generally accepted in the United States.

Management is responsible for the preparation and fair presentation of the financial statements and supplementary schedules in accordance with accounting principles generally accepted in the United States and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements and supplementary schedules.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of compilation is to assist management in presenting financial information in the form of financial statements and supplementary schedules without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements or supplementary schedules.

January 31, 2011
Los Angeles, California

Note: This sample statement is a fully disclosed Compiled financial statement. A Review financial statement will look just like this with the only difference being the opinion page.

ABC CONSTRUCTION, INC.
Balance Sheet
December 31, 2010

ASSETS

CURRENT ASSETS

Cash and cash equivalents
Accounts receivable
Costs and estimated earnings in excess of billings
Loan receivable – related party
Other current assets

TOTAL CURRENT ASSETS

PROPERTY AND EQUIPMENT

Computers
Furniture and equipments

Less: Accumulated depreciation

PROPERTY AND EQUIPMENT, NET

TOTAL ASSETS

SAMPLE

See accompanying notes and independent accountants' review report

ABC CONSTRUCTION, INC.
Balance Sheet
December 31, 2010

LIABILITIES AND STOCKHOLDER'S EQUITY

CURRENT LIABILITIES

Accounts payable
Accrued expenses
Income taxes payable
Payroll taxes payable
Billings in excess of costs and estimated earnings

TOTAL CURRENT LIABILITIES

TOTAL LIABILITIES

COMMITMENTS (Note 6)

STOCKHOLDER'S EQUITY

Common stock, \$1 par value; 100,000 shares authorized,
10,000 shares issued and outstanding
Additional paid in capital
Retained earnings

TOTAL STOCKHOLDER'S EQUITY

TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY

SAMPLE

See accompanying notes and independent accountants' review report

ABC CONSTRUCTION, INC.
Statement of Operations
For the Year Ended December 31, 2010

CONSTRUCTION REVENUE

DIRECT COSTS

GROSS PROFIT

OPERATING EXPENSES

INCOME FROM OPERATIONS

INCOME TAX PROVISION

NET INCOME

RETAINED EARNINGS, JANUARY 1, 2010

RETAINED EARNINGS, DECEMBER 31, 2010

SAMPLE

See accompanying notes and independent accountants' review report

ABC CONSTRUCTION, INC.
Statement of Cash Flows
For the Year Ended December 31, 2010

CASH FLOWS FROM OPERATING ACTIVITIES:

Net income

Adjustments to reconcile net income to net cash
used in operating activities:

(Increase) decrease in operating assets:

Accounts receivable
Costs and estimated earnings in excess of billings
Loan receivable – related party
Other current assets

Increase (decrease) in operating liabilities:

Accounts payable
Accrued expenses
Payroll taxes payable
Income taxes payable
Billings in excess of costs and estimated earnings

NET CASH USED IN OPERATING ACTIVITIES

NET DECREASE IN CASH

Cash – January 1, 2010

Cash – December 31, 2010

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid during the year for:

Income taxes

Interest

SAMPLE

See accompanying notes and independent accountants' review report

ABC CONSTRUCTION, INC.
Notes to Financial Statements
December 31, 2010

Note 1 - Summary of Significant Accounting Policies

This summary of significant accounting policies of ABC Construction, Inc. (a California Corporation) is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of Operations

ABC Construction, Inc. is a general contractor engaged primarily in the construction of the government and commercial work projects. The length of the contracts varies but generally less than a year.

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 reported amounts of revenues and expenses during the reporting period. Although management believes its estimates are appropriate, changes in assumptions utilized in preparing such estimates could cause these estimates to change sometime in the future.

Recognition of Revenue

The Company records income for financial statement purposes on its long-term construction contracts on the "percentage-of-completion" method of accounting measured by the percentage of costs incurred to date to estimated total costs for each contract. The principal advantages of this method are periodic recognition of income currently, rather than irregularly as contracts are completed, and the reflection of the status of uncompleted contracts provided through the current estimates of costs to complete.

Contract costs include all direct material and labor costs and those indirect costs related to contract performance. Operating expenses are charged to expenses as incurred. Changes in job conditions recognized in the changes in estimated profitability are recognized in the period in which the revisions are determined.

The asset, "Costs and estimated earnings in excess of billings," represents revenues recognized in excess of amounts billed. The liability, "Billings in excess of costs and estimated earnings," represents billings in excess of revenues recognized.

Property and Equipment

Property and equipment are stated at cost net of accumulated depreciation. Depreciation of property and equipment is calculated by straight-line and accelerated methods for financial reporting purposes at rates based on the estimated useful lives of the assets, which are generally from three to seven years. Expenditures for maintenance and repairs are charged to operations as incurred while renewals and betterments are capitalized.

ABC CONSTRUCTION, INC.
Notes to Financial Statements
December 31, 2010

Note 1 - Summary of Significant Accounting Policies (continued)

Advertising Costs

Advertising costs are charged to operations when incurred. Advertising expense for the year ended December 31, 2010 was \$1,000.

Income Taxes

The Company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, the Company is not subject to federal taxation and is subject to a state minimum franchise tax or 1.5% of taxable income, whichever is greater.

Credit Risk

The Company maintains cash deposits at various financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2010, the Company had no uninsured cash balance.

Note 2 – Accounts Receivable

All receivables are considered collectible by management. Accordingly, an allowance for uncollectible accounts receivable was not recorded as of December 31, 2010.

Current	
31 – 60 Days	
61 – 90 Days	
91 Days and over	
Retention	
Total	_____
	=====

Note 3 – Accounts Payable

Accounts payable aging as of December 31, 2010 consists of following:

Current	
31 – 60 Days	
61 – 90 Days	
91 Days and over	
Total	_____
	=====

ABC CONSTRUCTION, INC.
Notes to Financial Statements
December 31, 2010

Note 4 – Contracts in Progress

Contracts in progress at December 31, 2010 are summarized as follows:

Direct costs to date on uncompleted contracts	
Earned projected gross profit	_____
Earned revenue	
Billings to date	_____
Net billings in excess of costs and estimated earnings	=====

Included on the accompanying balance sheet under the following captions:

Costs and estimated earnings in excess of billings	
Billings in excess of costs and estimated earnings	_____
Net billings in excess of costs and estimated earnings	=====

Note 5 – Loan Receivable - Related Party

Loan receivable from the stockholder, non-interest bearing and payable on demand. At December 31, 2010, the outstanding balance was \$200,000.

Note 6 – Commitments

The Company leases its office facility under a non-cancelable operating lease. The following is a schedule of the future lease payments:

<u>Year Ending December 31:</u>	<u>Amount</u>
2011	_____
	=====

Rent expense for the year ended December 31, 2010 was \$25,250.

Note 7 – Compensated Absences

Employees of the Company are entitled to paid vacation, paid sick days and personal days off, depending on job classification, length of service and other factors. It is impracticable to estimate the amount of compensation for future absences and accordingly, no liability has been recorded in the accompanying financial statements. The Company's policy is to recognize the costs of compensated absences when actually paid to employees.

ABC CONSTRUCTION, INC.
Schedule I
Contracts in Progress
December 31, 2010

Job	Contract Price	Estimated Direct Costs	Estimated Gross Profit	Estimated Gross Profit %	Billings to Date	Costs and Estimated Earnings in Excess of Billings	Billings in Excess of Costs and Estimated Earnings	% Complete	Estimated Cost to Complete	Contract Balance	Cumulative Through December 31, 2010			Current Period Ended December 31, 2010		
											Revenue Earned	Direct Cost	Gross Profit	Revenue Earned	Direct Costs	Gross Profit
1001 ABC Project 1	\$ 1,950,320	\$ 1,750,150	\$ 200,170	10%	\$1,701,452	\$ 83,475	\$ 0	92%	\$ 148,418	\$ 165,393	\$ 1,784,927	\$ 1,601,732	\$ 183,195	\$ 1,043,606	\$ 928,473	\$ 115,133
Total	<u>\$ 1,950,320</u>	<u>\$ 1,750,150</u>	<u>\$ 200,170</u>		<u>\$1,701,452</u>	<u>\$ 83,475</u>	<u>\$ 0</u>		<u>\$ 148,418</u>	<u>\$ 165,393</u>	<u>\$ 1,784,927</u>	<u>\$ 1,601,732</u>	<u>\$ 183,195</u>	<u>\$ 1,043,606</u>	<u>\$ 928,473</u>	<u>\$ 115,133</u>

SAMPLE

See independent accountants' review report

ABC CONSTRUCTION, INC.
Schedule II
Completed Contracts
December 31, 2010

Job	Revenue Earned	Direct Costs	Gross Profit	Gross Profit %	Prior Period Before January 1, 2010			Current Period Ended December 31, 2010		
					Revenue Earned	Direct Costs	Gross Profit	Revenue Earned	Direct Costs	Gross Profit
1002 ABC Project 2	\$ 2,314,231	\$ 2,100,314	\$ 213,917	9%	\$ 968,913	\$ 881,711	\$ 87,202	\$ 1,345,318	\$ 1,218,603	\$ 126,715
Total Completed Contracts	<u>\$ 2,314,231</u>	<u>\$ 2,100,314</u>	<u>\$ 213,917</u>		<u>\$ 968,913</u>	<u>\$ 881,711</u>	<u>\$ 87,202</u>	1,345,318	1,218,603	126,715
Total Contracts in Progress								<u>1,043,606</u>	<u>928,473</u>	<u>115,113</u>
Total Contracts								<u>\$ 2,388,924</u>	<u>\$ 2,147,076</u>	<u>\$ 241,828</u>

SAMPLE

See independent accountants' review report

ABC CONSTRUCTION, INC.
Schedule III
Operating Expenses
For the Year Ended December 31, 2010

OPERATING EXPENSES:

Advertising
Automobiles
Bank charges
Bid and plan
Depreciation
Dues and subscription
Employee benefits
Insurance
Interest
Meals and entertainment
Office
Payroll taxes
Postage and delivery
Professional fees
Rent
Repairs and maintenance
Salaries and wages
Taxes and licenses
Telephone
Utilities

TOTAL

SAMPLE

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See independent accountants' review report