

BUSINESS OPERATIONS REPORT

For

Johnson Mechanical Contractors

Madison WI, 53714

Analysis as of: December 31 2004



PREPARED BY

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Report Date: March 27 2005





March 27 2005

Mr. Alexander Johnson, President
Johnson Mechanical Contractors
3569 Pipefitter Drive
Middleton, WI 53562

Dear: Mr. Johnson:

Thank you for contacting us. The following is the information that you requested on Johnson Mechanical Contractors located at 2754 Grand Avenue, Madison, WI 53562. Enclosed you will find our complete Operations Analysis for this business. This letter contains a general overview of the findings of our analysis. For more complete data, please review the enclosed information.

Our analysis of the company's last year's financial performance can be seen in the results that were obtained in a review of the company's income statement and balance sheet that has yielded the following key financial ratio performance: Acid Test Ratio: 2.06, Current Ratio: 2.64, Asset Liquidity Ratio: 0.85, Debt Equity Ratio: 0.64, Return on Investment: 22.91, Working Capital Turnover Ratio: 4.53, Inventory Turnover Ratio: 4.75, Average Age A/R: 77.42, Average Age A/P: 56.39, Cash Conversion Period: 158.11, Cash Turns: 2.31, Cash Demand Period: 115.49, Profit Margin Before Tax: 5.05, Return on Assets: 20.16.

As part of our financial analysis, we estimated the potential of the company's next year's financial performance by creating a financial model. To begin this model, we started with a budget, which is a short term financial plan that uses the company's last year's financial performance as the base standard and adjusts the base using assumptions that either increase or decrease the sales and/or price and/or expense line-items. The final result of this analysis is totally dependent upon the assumptions made herein. Since this is a financial analysis that is dependent upon the listed assumptions, it must be understood that different financial variable assumptions would yield different results. Using the assumptions that are shown on each of the expense line-items contained on the attached proforma budget, and assuming the sales will change by 3% and assuming the price will change by 1.5%, next year's budgeted profit would be 6.38%, \$614,401.

As part of next year's short term financial plan, we have included a job costing analysis that would accurately determine, when multiplied to the estimated cost of labor and/or materials of the company's product(s), both the job cost multipliers for job or product's cost and the job cost multipliers that would create the base selling price standard needed to achieve the company's

budget goal. To achieve the results of the attached budget goals, the multiplier that would be used for the labor calculation is 2.4418 and the multiplier that would be used for the materials calculation is 1.5948. To determine the cost of any job or product, the multiplier that would be used for the labor calculation (if appropriate) would be 2.2984 and the multiplier that would be used for the materials (if appropriate) would be 1.5011. If your product(s) use both labor and materials, you would use the sum of the labor cost of your product times the labor multiplier and the material cost of your product times the materials multiplier. If your product contains either labor or materials, you would use the appropriate multiplier.

To conclude our analysis, we determined the cash demands of the company that would be needed to achieve the next year's budget profit goals. As part of the analysis, we considered the historical number of days-out that was being experienced in the collection of receipts and the payment of the company's obligations. An analysis of the effects on profit and/or cash demand that other collection or payment periods would have on the cash flow are also available as a separate analysis. Based upon the attached anticipated cash flow schedule, it was determined that the following cash or credit line of \$269,091 would be needed to fund next year's budget goal. Based upon an anticipated credit line having a rate of 7.5%, \$10,983 would be paid in interest expense to fund the credit line. After adjusting the original budgeted profit of \$614,400 for the additional expense of the credit line and any additional profit generated from discounting, the new anticipated Net Profit Before Taxes would be 6.73%, \$648,564.

This is an accurate mathematical analysis that is dependent upon the assumptions made herein. Since the analysis is dependent upon the listed assumptions, remember that different financial variable assumptions would yield different results. I would be glad to work with you in creating any additional business models that are based upon different sales, price and expense assumptions that you would like to consider.

This is a sample insert for the evaluator cover letter to show the location of the insert in this sample business analysis/valuation report.

Sincerely,

Robert Smith CPA
President

Enclosures

Year 1

INCOME STATEMENT SUMMARY

	%	Actual Year Ending 12-31-2004
INCOME:		
Sales	100	\$9,216,687
Total Income	100	\$9,216,687
	=====	=====
Cost of Goods Sold:		
Direct Costs - Labor	23.20	\$2,138,590
Direct Costs - Materials	23.84	\$2,197,498
Direct Costs - Equipment	0.20	\$18,568
Direct Costs - Subcontractor	2.70	\$248,976
Direct Costs - Other	1.13	\$103,848
Total Cost of Goods Sold	51.08	\$4,707,480
	=====	=====
GROSS PROFIT	48.92	\$4,509,207
	=====	=====
LESS: OPERATING COSTS		
Total Variable Costs (See detail schedule on next page)	18.80	\$1,732,522
	=====	=====
Fixed Costs Total Fixed Costs (See detail schedule on next page)	25.22	\$2,324,035
	=====	=====
Total Operating Expenses (Fixed Costs plus Variable Costs)	44.01	\$4,056,557
	=====	=====
Other Income (Expenses) Total Other Income (Expenses)	0.14	\$13,078
	=====	=====
NET OPERATING INCOME (NPBT) (Before Debt Service)	5.05	\$465,728
	=====	=====

INCOME STATEMENT DETAIL

	%	Actual Year Ending 12-31-2004
Variable Costs		
Advertising & Promotion	0.77	\$71,395
Auto & Truck Gas, Oil, Repairs	2.05	\$189,190
Bad Debt	0.30	\$27,710
Bank Charges	0.10	\$9,619
Employee Benefits	2.26	\$208,674
Freight	0.21	\$19,539
Insurance - W. C. Direct Labor	0.91	\$84,071
Laundry, Cleaning	0.09	\$8,646
License & Permits	0.06	\$5,735
Miscellaneous	0.00	\$418
Office Supplies	0.63	\$58,475
Other	0.09	\$8,014
Payroll Taxes (Direct Labor)	2.16	\$198,776
Shop Supplies & Small tools	0.62	\$57,051
Travel & Lodging & Entertainment	0.02	\$2,104
U.P.S./FedEx	0.02	\$1,861
Union Benefits/Dues	7.71	\$710,512
Warranty Expense	0.77	\$70,732
Total Variable Costs	18.80	\$1,732,522
	=====	=====
Fixed Costs:		
Contributions	0.03	\$2,434
Depreciation	1.32	\$121,985
Dues & Subscriptions	0.23	\$20,867
Insurance - Auto & Liability	3.97	\$366,043
Insurance - Group Health	0.17	\$15,248
Insurance - Officer	0.10	\$8,981
Payroll Taxes - Office	1.58	\$145,787
Penison Plan	0.88	\$81,028
Professional Fees	0.70	\$64,435
Property Taxes	0.21	\$19,584
Rent	0.76	\$69,665
Repairs & Maintenance	0.05	\$4,409
Salaries - Owner	1.57	\$145,000
Salaries - Office/Shop	13.40	\$1,234,609
Telephone	0.11	\$9,960
Utilities	0.15	\$14,000
Total Fixed Costs	25.22	\$2,324,035
	=====	=====
Total Operating Costs	44.01	\$4,056,557
	=====	=====

Year 1

BALANCE SHEET SUMMARY

	Actual Year Ending <u>12-31-2004</u>
CURRENT ASSETS	
Total Current Assets	\$2,821,702 =====
FIXED ASSETS	
Total Fixed Assets	\$467,157 =====
OTHER ASSETS	
Total Other Assets	\$35,150 =====
TOTAL ASSETS	\$3,324,009 =====
CURRENT LIABILITIES	
Total Current Liabilities	\$1,067,394 =====
LONG TERM LIABILITIES	
Total Current Liabilities	\$223,946 =====
TOTAL LIABILITIES	\$1,291,340 =====
NETWORTH	
Total Net worth	\$2,032,669 =====
TOTAL LIABILITIES AND NETWORTH	\$3,324,009 =====

BALANCE SHEET DETAIL

	Actual Year Ending <u>12-31-2004</u>
CURRENT ASSET ADJUSTMENTS	
Total Current Assets	\$2,821,702 =====
FIXED ASSET ADJUSTMENTS	
Total Depreciable Assets	\$1,806,196 =====
Net Book Value	\$467,157
Total Fixed Assets	\$467,157 =====
OTHER ASSET ADJUSTMENTS	
Total Other Assets	\$35,150
TOTAL ASSET ADJUSTMENTS	\$3,324,009 =====
CURRENT LIABILITIES ADJUSTMENTS	
Total Current Liabilities	\$1,067,394 =====
LONG TERM LIABILITIES ADJUSTMENTS	
Total Long Term Liabilities	\$223,946 =====
TOTAL LIABILITIES	\$1,291,340 =====
NETWORTH ADJUSTMENTS	
Total Networth	\$2,032,669 =====

PROFORMA FIRST YEAR FINANCIAL BUDGET SUMMARY

Budget Assumptions:

Sales Increase = 3%
 Price Increase = 1.5%

	Budget Year Ending	
	%	<u>12/31/05</u>
INCOME:		
Sales	100	
Total Income	100	\$9,635,585
=====		
Cost of Goods Sold:		
Direct Costs - Labor	22.86	\$2,202,748
Direct Costs - Materials	23.49	\$2,263,423
Direct Costs - Equipment	0.20	\$19,125
Direct Costs - Subcontractor	2.66	\$256,445
Direct Costs - Other	1.11	\$106,963
=====		
Total Cost of Goods Sold	50.32	\$4,848,704
=====		
GROSS PROFIT	49.68	\$4,786,881
(Total Income less COS)		=====
LESS: OPERATING COSTS		
Total Variable Costs	18.52	\$1,784,498
(See detail schedule on next page)		=====
Fixed Costs		
Total Fixed Costs	24.92	\$2,401,453
(See detail schedule on next page)		=====
Total Operating Costs		
(Fixed Costs plus Variable Costs)		
Total Operating Costs	43.44	\$4,185,951
=====		
Other Income (Expenses)		
Total Other Income (Expenses)	0.14	\$13,470
(See detail schedule on next page)		
BUDGET- NET OPERATING INCOME	6.38	\$614,401
=====		

PROFORMA FIRST YEAR FINANCIAL BUDGET DETAIL

	Budget	
	Year Ending	
	%	<u>12/31/05</u>
Variable Costs:		
Advertising & Promotion	0.76	\$73,537
Auto & Truck Gas, Oil, Repairs	2.02	\$194,866
Bad Debt	0.30	\$28,541
Bank Charges	0.10	\$9,908
Employee Benefits	2.23	\$214,934
Freight	0.21	\$20,125
Insurance - W. C. Direct Labor	0.90	\$86,593
Laundry, Cleaning	0.09	\$8,905
License & Permits	0.06	\$5,907
Miscellaneous	0.00	\$431
Office Supplies	0.63	\$60,229
Other	0.09	\$8,254
Payroll Taxes (Direct Labor)	2.12	\$204,739
Shop Supplies & Small tools	0.61	\$58,763
Travel & Lodging & Entertainment	0.02	\$2,167
U.P.S./FedEx	0.02	\$1,917
Union Benefits/Dues	7.60	\$731,827
Warranty Expense	0.76	\$72,854
Total Variable Costs	<u>18.52</u>	<u>\$1,784,498</u>
Fixed Costs:		
Contributions	0.03	\$2,434
Depreciation	1.27	\$121,985
Dues & Subscriptions	0.22	\$20,867
Insurance - Auto & Liability	4.16	\$400,543
Insurance - Group Health	0.16	\$15,248
Insurance - Officer	0.09	\$8,981
Payroll Taxes - Office	1.56	\$150,100
Penison Plan	0.84	\$81,028
Professional Fees	0.67	\$64,435
Property Taxes	0.22	\$21,151
Rent	0.72	\$69,665
Repairs & Maintenance	0.05	\$4,409
Salaries - Owner	1.50	\$145,000
Salaries - Office/Shop	13.20	\$1,271,647
Telephone	0.10	\$9,960
Utilities	0.15	\$14,000
Total Fixed Costs	<u>24.92</u>	<u>\$2,401,453</u>
Total Operating Costs	<u>43.44</u>	<u>\$4,185,951</u>
Other Income (Expenses):		
Other Income	0.60	\$57,630
Other Expense - Interest	0.46	\$44,159
Total Other Income (Expenses)	<u>0.14</u>	<u>\$13,470</u>

COMMENTS – BUDGET

ADJUSTMENTS FOR YEAR: 2004

<u>Line Item Adjusted</u>	<u>Comments</u>
Insurance - Auto & Liability	Received insurance quotes to show actual amount to expect for the year.
Payroll Taxes - Office	Adjusted to compensate for increase in payroll.
Property Taxes	Notifications were received advising of property tax increases.
Salaries - Office/Shop	Salary increase due to the need to add an individual to compensate for increased sales volumes.

PROFORMA FIRST YEAR FINANCIAL BUDGET DETAIL Q1

	M1 %	Amount	M2 %	Amount	M3 %	Amount
Income:	7.59	\$731,341	9.39	\$904,781	6.65	\$640,766
Cost of Goods Sold:						
Direct Costs - Labor	22.86	\$167,189	22.86	\$206,838	22.86	\$146,483
Direct Costs - Materials	23.49	\$171,794	23.49	\$212,535	23.49	\$150,518
Direct Costs - Equipment	0.20	\$1,452	0.20	\$1,796	0.20	\$1,272
Direct Costs - Subcontractor	2.66	\$19,464	2.66	\$24,080	2.66	\$17,054
Direct Costs - Other	1.11	\$8,118	1.11	\$10,044	1.11	\$7,113
Total Cost of Goods Sold	50.32	\$368,017	50.32	\$455,293	50.32	\$322,440
Gross Profit	49.68	\$363,324	49.68	\$449,488	49.68	\$318,326
Variable Costs:						
Advertising & Promotion	0.76	\$5,581	0.76	\$6,905	0.76	\$4,890
Auto & Truck Gas, Oil, Repairs	2.02	\$14,790	2.02	\$18,298	2.02	\$12,959
Bad Debt	0.30	\$2,166	0.30	\$2,680	0.30	\$1,898
Bank Charges	0.10	\$752	0.10	\$930	0.10	\$659
Employee Benefits	2.23	\$16,313	2.23	\$20,182	2.23	\$14,293
Freight	0.21	\$1,527	0.21	\$1,890	0.21	\$1,338
Insurance - W. C. Direct Labor	0.90	\$6,572	0.90	\$8,131	0.90	\$5,758
Laundry, Cleaning	0.09	\$676	0.09	\$836	0.09	\$592
License & Permits	0.06	\$448	0.06	\$555	0.06	\$393
Miscellaneous	0.00	\$33	0.00	\$40	0.00	\$29
Office Supplies	0.63	\$4,571	0.63	\$5,656	0.63	\$4,005
Other	0.09	\$626	0.09	\$775	0.09	\$549
Payroll Taxes (Direct Labor)	2.12	\$15,540	2.12	\$19,225	2.12	\$13,615
Rentals	0.00	\$0	0.00	\$0	0.00	\$0
Sales Commissions	0.00	\$0	0.00	\$0	0.00	\$0
Sales Tax Expense	0.00	\$0	0.00	\$0	0.00	\$0
Shop Supplies & Small tools	0.61	\$4,460	0.61	\$5,518	0.61	\$3,908
Travel & Lodging & Entertainment	0.02	\$164	0.02	\$203	0.02	\$144
U.P.S./FedEx	0.02	\$146	0.02	\$180	0.02	\$127
Union Benefits/Dues	7.60	\$55,546	7.60	\$68,719	7.60	\$48,666
Warranty Expense	0.76	\$5,530	0.76	\$6,841	0.76	\$4,845
Total Variable Costs	18.52	\$135,441	18.52	\$167,564	18.52	\$118,668
Fixed Costs:						
Contributions	0.03	\$203	0.02	\$203	0.03	\$203
Depreciation	1.39	\$10,165	1.12	\$10,165	1.59	\$10,165
Dues & Subscriptions	0.24	\$1,739	0.19	\$1,739	0.27	\$1,739
Insurance - Auto & Liability	4.56	\$33,379	3.69	\$33,379	5.21	\$33,379
Insurance - Group Health	0.17	\$1,271	0.14	\$1,271	0.20	\$1,271
Insurance - Officer	0.10	\$748	0.08	\$748	0.12	\$748
Insurance - WC Office	0.00	\$0	0.00	\$0	0.00	\$0
Payroll Taxes - Office	1.71	\$12,508	1.38	\$12,508	1.95	\$12,508
Penison Plan	0.92	\$6,752	0.75	\$6,752	1.05	\$6,752
Postage, Mailings	0.00	\$0	0.00	\$0	0.00	\$0
Professional Fees	0.73	\$5,370	0.59	\$5,370	0.84	\$5,370
Property Taxes	0.24	\$1,763	0.19	\$1,763	0.28	\$1,763
Rent	0.79	\$5,805	0.64	\$5,805	0.91	\$5,805
Repairs & Maintenance	0.05	\$367	0.04	\$367	0.06	\$367
Salaries - Owner	1.65	\$12,083	1.34	\$12,083	1.89	\$12,083
Salaries - Office/Shop	14.49	\$105,971	11.71	\$105,971	16.54	\$105,971
Telephone	0.11	\$830	0.09	\$830	0.13	\$830
Utilities	0.16	\$1,167	0.13	\$1,167	0.18	\$1,167
Total Fixed Costs	27.34	\$200,121	22.1	\$200,121	31.25	\$200,121
Total Operating Costs	45.88	\$335,562	40.64	\$367,685	49.75	\$318,789
Other Income (Expenses):						
Other Income	0.60	\$4,374	0.60	\$5,411	0.60	\$3,832
Other Expense - Interest	0.46	\$3,352	0.46	\$4,147	0.46	\$2,937
Other Expense	0.00	\$0	0.00	\$0	0.00	\$0
Total Other Income (Expenses)	0.14	\$1,022	0.14	\$1,264	0.14	\$895
BUDGET - NET OPERATING INCOME	3.94	\$28,784	9.18	\$83,067	0.07	\$432

PROFORMA FIRST YEAR FINANCIAL BUDGET DETAIL Q2

	M4 %	Amount	M5 %	Amount	M6 %	Amount
Income:	8.11	\$781,446	8.30	\$799,754	10.31	\$993,429
Cost of Goods Sold:						
Direct Costs - Labor	22.86	\$178,643	22.86	\$182,828	22.86	\$227,103
Direct Costs - Materials	23.49	\$183,564	23.49	\$187,864	23.49	\$233,359
Direct Costs - Equipment	0.20	\$1,551	0.20	\$1,587	0.20	\$1,972
Direct Costs - Subcontractor	2.66	\$20,798	2.66	\$21,285	2.66	\$26,439
Direct Costs - Other	1.11	\$8,675	1.11	\$8,878	1.11	\$11,028
Total Cost of Goods Sold	50.32	\$393,231	50.32	\$402,442	50.32	\$499,901
Gross Profit	49.68	\$388,215	49.68	\$397,312	49.68	\$493,528
Variable Costs:						
Advertising & Promotion	0.76	\$5,964	0.76	\$6,104	0.76	\$7,582
Auto & Truck Gas, Oil, Repairs	2.02	\$15,804	2.02	\$16,174	2.02	\$20,091
Bad Debt	0.30	\$2,315	0.30	\$2,369	0.30	\$2,943
Bank Charges	0.10	\$804	0.10	\$822	0.10	\$1,022
Employee Benefits	2.23	\$17,431	2.23	\$17,840	2.23	\$22,160
Freight	0.21	\$1,632	0.21	\$1,670	0.21	\$2,075
Insurance - W. C. Direct Labor	0.90	\$7,023	0.90	\$7,187	0.90	\$8,928
Laundry, Cleaning	0.09	\$722	0.09	\$739	0.09	\$918
License & Permits	0.06	\$479	0.06	\$490	0.06	\$609
Miscellaneous	0.00	\$35	0.00	\$36	0.00	\$44
Office Supplies	0.63	\$4,885	0.63	\$4,999	0.63	\$6,210
Other	0.09	\$669	0.09	\$685	0.09	\$851
Payroll Taxes (Direct Labor)	2.12	\$16,604	2.12	\$16,993	2.12	\$21,109
Rentals	0.00	\$0	0.00	\$0	0.00	\$0
Sales Commissions	0.00	\$0	0.00	\$0	0.00	\$0
Sales Tax Expense	0.00	\$0	0.00	\$0	0.00	\$0
Shop Supplies & Small tools	0.61	\$4,766	0.61	\$4,877	0.61	\$6,058
Travel & Lodging & Entertainment	0.02	\$176	0.02	\$180	0.02	\$223
U.P.S./FedEx	0.02	\$155	0.02	\$159	0.02	\$198
Union Benefits/Dues	7.60	\$59,351	7.60	\$60,742	7.60	\$75,451
Warranty Expense	0.76	\$5,908	0.76	\$6,047	0.76	\$7,511
Total Variable Costs	18.52	\$144,723	18.52	\$148,113	18.52	\$183,983
Fixed Costs:						
Contributions	0.03	\$203	0.03	\$203	0.02	\$203
Depreciation	1.30	\$10,165	1.27	\$10,165	1.02	\$10,165
Dues & Subscriptions	0.22	\$1,739	0.22	\$1,739	0.18	\$1,739
Insurance - Auto & Liability	4.27	\$33,379	4.17	\$33,379	3.36	\$33,379
Insurance - Group Health	0.16	\$1,271	0.16	\$1,271	0.13	\$1,271
Insurance - Officer	0.10	\$748	0.09	\$748	0.08	\$748
Insurance - WC Office	0.00	\$0	0.00	\$0	0.00	\$0
Payroll Taxes - Office	1.60	\$12,508	1.56	\$12,508	1.26	\$12,508
Pension Plan	0.86	\$6,752	0.84	\$6,752	0.68	\$6,752
Postage, Mailings	0.00	\$0	0.00	\$0	0.00	\$0
Professional Fees	0.69	\$5,370	0.67	\$5,370	0.54	\$5,370
Property Taxes	0.23	\$1,763	0.22	\$1,763	0.18	\$1,763
Rent	0.74	\$5,805	0.73	\$5,805	0.58	\$5,805
Repairs & Maintenance	0.05	\$367	0.05	\$367	0.04	\$367
Salaries - Owner	1.55	\$12,083	1.51	\$12,083	1.22	\$12,083
Salaries - Office/Shop	13.56	\$105,971	13.25	\$105,971	10.67	\$105,971
Telephone	0.11	\$830	0.10	\$830	0.08	\$830
Utilities	0.15	\$1,167	0.15	\$1,167	0.12	\$1,167
Total Fixed Costs	25.62	\$200,121	25.02	\$200,121	20.16	\$200,121
Total Operating Costs	44.13	\$344,844	43.54	\$348,234	38.66	\$384,104
Other Income (Expenses):						
Other Income	0.60	\$4,674	0.60	\$4,783	0.60	\$5,942
Other Expense - Interest	0.46	\$3,581	0.46	\$3,665	0.46	\$4,553
Other Expense	0.00	\$0	0.00	\$0	0.00	\$0
Total Other Income (Expenses)	0.14	\$1,093	0.14	\$1,118	0.14	\$1,389
BUDGET - NET OPERATING INCOME	5.69	\$44,464	6.28	\$50,196	11.15	\$110,813

PROFORMA FIRST YEAR FINANCIAL BUDGET DETAIL Q3

	M7 %	Amount	M8%	Amount	M9 %	Amount
Income:	8.27	\$796,863	8.95	\$862,385	6.11	\$588,734
Cost of Goods Sold:						
Direct Costs - Labor	22.86	\$182,167	22.86	\$197,146	22.86	\$134,588
Direct Costs - Materials	23.49	\$187,185	23.49	\$202,576	23.49	\$138,295
Direct Costs - Equipment	0.20	\$1,582	0.20	\$1,712	0.20	\$1,169
Direct Costs - Subcontractor	2.66	\$21,208	2.66	\$22,952	2.66	\$15,669
Direct Costs - Other	1.11	\$8,846	1.11	\$9,573	1.11	\$6,535
Total Cost of Goods Sold	50.32	\$400,988	50.32	\$433,959	50.32	\$296,256
Gross Profit	49.68	\$395,875	49.68	\$428,426	49.68	\$292,478
Variable Costs:						
Advertising & Promotion	0.76	\$6,082	0.76	\$6,582	0.76	\$4,493
Auto & Truck Gas, Oil, Repairs	2.02	\$16,115	2.02	\$17,441	2.02	\$11,906
Bad Debt	0.30	\$2,360	0.30	\$2,554	0.30	\$1,744
Bank Charges	0.10	\$819	0.10	\$887	0.10	\$605
Employee Benefits	2.23	\$17,775	2.23	\$19,237	2.23	\$13,132
Freight	0.21	\$1,664	0.21	\$1,801	0.21	\$1,230
Insurance - W. C. Direct Labor	0.90	\$7,161	0.90	\$7,750	0.90	\$5,291
Laundry, Cleaning	0.09	\$736	0.09	\$797	0.09	\$544
License & Permits	0.06	\$489	0.06	\$529	0.06	\$361
Miscellaneous	0.00	\$36	0.00	\$39	0.00	\$26
Office Supplies	0.63	\$4,981	0.63	\$5,390	0.63	\$3,680
Other	0.09	\$683	0.09	\$739	0.09	\$504
Payroll Taxes (Direct Labor)	2.12	\$16,932	2.12	\$18,324	2.12	\$12,510
Rentals	0.00	\$0	0.00	\$0	0.00	\$0
Sales Commissions	0.00	\$0	0.00	\$0	0.00	\$0
Sales Tax Expense	0.00	\$0	0.00	\$0	0.00	\$0
Shop Supplies & Small tools	0.61	\$4,860	0.61	\$5,259	0.61	\$3,590
Travel & Lodging & Entertainment	0.02	\$179	0.02	\$194	0.02	\$132
U.P.S./FedEx	0.02	\$159	0.02	\$172	0.02	\$117
Union Benefits/Dues	7.60	\$60,522	7.60	\$65,499	7.60	\$44,715
Warranty Expense	0.76	\$6,025	0.76	\$6,520	0.76	\$4,451
Total Variable Costs	18.52	\$147,578	18.52	\$159,714	18.52	\$109,031
Fixed Costs:						
Contributions	0.03	\$203	0.02	\$203	0.03	\$203
Depreciation	1.28	\$10,165	1.18	\$10,165	1.73	\$10,165
Dues & Subscriptions	0.22	\$1,739	0.20	\$1,739	0.30	\$1,739
Insurance - Auto & Liability	4.19	\$33,379	3.87	\$33,379	5.67	\$33,379
Insurance - Group Health	0.16	\$1,271	0.15	\$1,271	0.22	\$1,271
Insurance - Officer	0.09	\$748	0.09	\$748	0.13	\$748
Insurance - WC Office	0.00	\$0	0.00	\$0	0.00	\$0
Payroll Taxes - Office	1.57	\$12,508	1.45	\$12,508	2.12	\$12,508
Pension Plan	0.85	\$6,752	0.78	\$6,752	1.15	\$6,752
Postage, Mailings	0.00	\$0	0.00	\$0	0.00	\$0
Professional Fees	0.67	\$5,370	0.62	\$5,370	0.91	\$5,370
Property Taxes	0.22	\$1,763	0.20	\$1,763	0.30	\$1,763
Rent	0.73	\$5,805	0.67	\$5,805	0.99	\$5,805
Repairs & Maintenance	0.05	\$367	0.04	\$367	0.06	\$367
Salaries - Owner	1.52	\$12,083	1.40	\$12,083	2.05	\$12,083
Salaries - Office/Shop	13.30	\$105,971	12.29	\$105,971	18.00	\$105,971
Telephone	0.10	\$830	0.10	\$830	0.14	\$830
Utilities	0.15	\$1,167	0.14	\$1,167	0.20	\$1,167
Total Fixed Costs	25.13	\$200,121	23.2	\$200,121	34	\$200,121
Total Operating Costs	43.63	\$347,699	41.73	\$359,835	52.51	\$309,152
Other Income (Expenses):						
Other Income	0.60	\$4,766	0.60	\$5,158	0.60	\$3,521
Other Expense - Interest	0.46	\$3,652	0.46	\$3,952	0.46	\$2,698
Other Expense	0.00	\$0	0.00	\$0	0.00	\$0
Total Other Income (Expenses)	0.14	\$1,114	0.14	\$1,206	0.14	\$823
BUDGET - NET OPERATING INCOME	6.19	\$49,290	8.09	\$69,797	-2.69	(\$15,851)

PROFORMA FIRST YEAR FINANCIAL BUDGET DETAIL Q4

	M10 %	Amount	M11 %	Amount	M12%	Amount
Income:	9.81	\$945,251	7.59	\$713,997	9.1	\$876,838
Cost of Goods Sold:						
Direct Costs - Labor	22.86	\$216,090	22.86	\$163,224	22.86	\$200,450
Direct Costs - Materials	23.49	\$222,042	23.49	\$167,720	23.49	\$205,971
Direct Costs - Equipment	0.20	\$1,876	0.20	\$1,417	0.20	\$1,740
Direct Costs - Subcontractor	2.66	\$25,157	2.66	\$19,003	2.66	\$23,336
Direct Costs - Other	1.11	\$10,493	1.11	\$7,926	1.11	\$9,734
Total Cost of Goods Sold	50.32	\$475,658	50.32	\$359,290	50.32	\$441,231
Gross Profit	49.68	\$469,593	49.68	\$354,707	49.68	\$435,607
Variable Costs:						
Advertising & Promotion	0.76	\$7,214	0.76	\$5,449	0.76	\$6,692
Auto & Truck Gas, Oil, Repairs	2.02	\$19,116	2.02	\$14,440	2.02	\$17,733
Bad Debt	0.30	\$2,800	0.30	\$2,115	0.30	\$2,597
Bank Charges	0.10	\$972	0.10	\$734	0.10	\$902
Employee Benefits	2.23	\$21,085	2.23	\$15,927	2.23	\$19,559
Freight	0.21	\$1,974	0.21	\$1,491	0.21	\$1,831
Insurance - W. C. Direct Labor	0.90	\$8,495	0.90	\$6,417	0.90	\$7,880
Laundry, Cleaning	0.09	\$874	0.09	\$660	0.09	\$810
License & Permits	0.06	\$579	0.06	\$438	0.06	\$538
Miscellaneous	0.00	\$42	0.00	\$32	0.00	\$39
Office Supplies	0.63	\$5,908	0.63	\$4,463	0.63	\$5,481
Other	0.09	\$810	0.09	\$612	0.09	\$751
Payroll Taxes (Direct Labor)	2.12	\$20,085	2.12	\$15,171	2.12	\$18,631
Rentals	0.00	\$0	0.00	\$0	0.00	\$0
Sales Commissions	0.00	\$0	0.00	\$0	0.00	\$0
Sales Tax Expense	0.00	\$0	0.00	\$0	0.00	\$0
Shop Supplies & Small tools	0.61	\$5,765	0.61	\$4,354	0.61	\$5,347
Travel & Lodging & Entertainment	0.02	\$213	0.02	\$161	0.02	\$197
U.P.S./FedEx	0.02	\$188	0.02	\$142	0.02	\$174
Union Benefits/Dues	7.60	\$71,792	7.60	\$54,228	7.60	\$66,596
Warranty Expense	0.76	\$7,147	0.76	\$5,398	0.76	\$6,630
Total Variable Costs	18.52	\$175,059	18.52	\$132,232	18.52	\$162,388
Fixed Costs:						
Contributions	0.02	\$203	0.03	\$203	0.02	\$203
Depreciation	1.08	\$10,165	1.42	\$10,165	1.16	\$10,165
Dues & Subscriptions	0.18	\$1,739	0.24	\$1,739	0.20	\$1,739
Insurance - Auto & Liability	3.53	\$33,379	4.67	\$33,379	3.81	\$33,379
Insurance - Group Health	0.13	\$1,271	0.18	\$1,271	0.14	\$1,271
Insurance - Officer	0.08	\$748	0.10	\$748	0.09	\$748
Insurance - WC Office	0.00	\$0	0.00	\$0	0.00	\$0
Payroll Taxes - Office	1.32	\$12,508	1.75	\$12,508	1.43	\$12,508
Pension Plan	0.71	\$6,752	0.95	\$6,752	0.77	\$6,752
Postage, Mailings	0.00	\$0	0.00	\$0	0.00	\$0
Professional Fees	0.57	\$5,370	0.75	\$5,370	0.61	\$5,370
Property Taxes	0.19	\$1,763	0.25	\$1,763	0.20	\$1,763
Rent	0.61	\$5,805	0.81	\$5,805	0.66	\$5,805
Repairs & Maintenance	0.04	\$367	0.05	\$367	0.04	\$367
Salaries - Owner	1.28	\$12,083	1.69	\$12,083	1.38	\$12,083
Salaries - Office/Shop	11.21	\$105,971	14.84	\$105,971	12.09	\$105,971
Telephone	0.09	\$830	0.12	\$830	0.09	\$830
Utilities	0.12	\$1,167	0.16	\$1,167	0.13	\$1,167
Total Fixed Costs	21.16	\$200,121	28.01	\$200,121	22.82	\$200,121
Total Operating Costs	39.69	\$375,180	46.55	\$332,353	41.34	\$362,509
Other Income (Expenses):						
Other Income	0.60	\$5,654	0.60	\$4,270	0.60	\$5,244
Other Expense - Interest	0.46	\$4,332	0.46	\$3,272	0.46	\$4,018
Other Expense	0.00	\$0	0.00	\$0	0.00	\$0
Total Other Income (Expenses)	0.14	\$1,322	0.14	\$998	0.14	\$1,226
BUDGET - NET OPERATING INCOME	10.13	\$95,735	3.27	\$23,352	8.48	\$74,324

KEY FINANCIAL RATIOS

	Actual Income Statement and Current Balance Sheet
Acid Test: (Quick Ratio)	2.06
Current Ratio: (Working Capital Ratio)	2.64
Asset Liquidity Ratio:	0.85
Debt Equity Ratio: (Total Liability to NW)	0.64
Net Profit to Net Sales Ratio:	0.05
AP to Sales Ratio:	0.04
AR to Sales Ratio:	0.21
AR to AP Ratio:	5.13
Sales to AR Ratio:	4.71
Return on Investment: (ROI)	22.91
Working Capital Turnover Ratio:	4.53
Inventory Turnover Ratio:	4.75
Average Sales per Day:	\$25,251
Average Age AR: (Average Collection Period):	77.42
Average Age AP:	56.39
Average Age of Underbillings:	4.51
Average Age of Overbillings:	13.77
Average Age of Materials Inventory:	76.18
Cash Conversion Period:	158.11
Cash Turns:	2.31
Cash Demand Period:	115.49
Profit Margin, Before Income Taxes:	5.05
Return on Net Assets: (RONA)	20.16
Maximum Sales Limited by Cash Flow:	\$6,407,259
Excess Sales:	\$2,809,428
Ideal Average Sales per Month: (As Measured by Cash Flow)	\$533,938

Year Being Viewed: 2004

JOB COSTING/PRICING

Year Displayed: 2004

<u>Job Costing/Pricing Details / Multipliers</u>	<u>Final Budget</u>
Final Budget	
Sales Revenues	\$9,635,585
Budgeted Net Operating Income (Loss) Before Taxes \$ (NPBT \$)	\$614,401
Budgeted Net Operating Income (Loss) Before Taxes % (NPBT %)	6.38
Budget Profit Goal Multipliers:	
Labor Profit Goal Multiplier (includes budgeted profit/loss)	2.4418
MESO Profit Goal Multiplier (includes budgeted profit/loss)	1.5948
Burden Rate Multipliers:	
(Doesn't include other income and expenses)	
Labor Burden Rate Multiplier (Calculates cost of labor)	2.2984
MESO Burden Rate Multiplier (Calculates cost of MESO)	1.5011
Breakeven Analysis:	
Breakeven Sales Volume Dollars (\$)	\$7,707,013
Breakeven Sales Volume Percentage (%)	79.98

CASH FLOW—BUDGET

	FINAL	Budget Fiscal Year											
		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Percent Of Annual Sales	100.00	7.59	9.39	6.65	8.11	8.30	10.31	8.27	8.95	6.11	9.81	7.41	9.10
Fiscal Year	2005	2005	2005	2005	2005	2005	2005	2005	2005	2005	2005	2005	2005
INCOME	\$9,635,585	\$731,341	\$904,781	\$640,766	\$781,446	\$799,754	\$993,429	\$796,863	\$862,385	\$588,734	\$945,251	\$713,997	\$876,838
COSTS OF SALES													
Direct Labor	\$2,202,748	\$167,189	\$206,838	\$146,483	\$178,643	\$182,828	\$227,103	\$182,167	\$197,146	\$134,588	\$216,090	\$163,224	\$200,450
Direct Materials	\$2,263,423	\$171,794	\$212,535	\$150,518	\$183,564	\$187,864	\$233,359	\$187,185	\$202,576	\$138,295	\$222,042	\$167,720	\$205,971
Direct Equipment	\$19,125	\$1,452	\$1,796	\$1,272	\$1,551	\$1,587	\$1,972	\$1,582	\$1,712	\$1,169	\$1,876	\$1,417	\$1,740
Direct Subcontractor	\$256,445	\$19,464	\$24,080	\$17,054	\$20,798	\$21,285	\$26,439	\$21,208	\$22,952	\$15,669	\$25,157	\$19,003	\$23,336
Direct Other	\$106,963	\$8,118	\$10,044	\$7,113	\$8,675	\$8,878	\$11,028	\$8,846	\$9,573	\$6,535	\$10,493	\$7,926	\$9,734
TOTAL COST OF SALES	\$4,848,704	\$368,017	\$455,293	\$322,440	\$393,231	\$402,442	\$499,901	\$400,988	\$433,959	\$296,256	\$475,658	\$359,290	\$441,231
GROSS PROFIT	\$4,786,881	\$363,324	\$449,488	\$318,326	\$388,215	\$397,312	\$493,528	\$395,875	\$428,426	\$292,478	\$469,593	\$354,707	\$435,607
OPERATING EXPENSES													
Total Variable Overhead Expense	\$1,784,498	\$135,443	\$167,564	\$118,669	\$144,723	\$148,113	\$183,982	\$147,578	\$159,713	\$109,033	\$175,059	\$132,231	\$162,389
Total Fixed Expenses	\$2,401,453	\$200,121	\$200,121	\$200,121	\$200,121	\$200,121	\$200,121	\$200,121	\$200,121	\$200,121	\$200,121	\$200,121	\$200,121
TOTAL OPERATING EXPENSES	\$4,185,951	\$335,564	\$367,685	\$318,790	\$344,844	\$348,234	\$384,103	\$347,699	\$359,834	\$309,154	\$375,180	\$332,352	\$362,510
OPERATING INCOME (LOSS)	\$600,930	\$27,760	\$81,803	(\$464)	\$43,371	\$49,078	\$109,425	\$48,176	\$68,592	(\$16,676)	\$94,413	\$22,355	\$73,097
Other Income and Expenses	\$13,470	\$1,022	\$1,265	\$896	\$1,092	\$1,118	\$1,389	\$1,114	\$1,206	\$823	\$1,321	\$998	\$1,226
NPBT (LOSS)	\$614,400	\$28,782	\$83,068	\$432	\$44,463	\$50,196	\$110,814	\$49,290	\$69,798	(\$15,853)	\$95,734	\$23,353	\$74,323
CASH FLOW PROJECTION													
Beginning Cash Balance		\$244,083	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$13,846	\$21,550
Plus													
Cash Reserves Carried Forward			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Collections (A/R)	77	\$797,269	\$740,209	\$781,359	\$795,450	\$779,547	\$692,115	\$778,566	\$871,575	\$895,809	\$813,951	\$733,614	\$733,044
AVAILABLE CASH		\$1,041,352	\$740,209	\$781,359	\$795,450	\$779,547	\$692,115	\$778,566	\$871,575	\$895,809	\$813,951	\$747,460	\$754,594
Less Disbursements													
Direct Labor (Payroll)		\$167,189	\$206,838	\$146,483	\$178,643	\$182,828	\$227,103	\$182,167	\$197,146	\$134,588	\$216,090	\$163,224	\$200,450
Direct Material (A/P)	30	\$199,906	\$171,794	\$212,535	\$150,518	\$183,564	\$187,864	\$233,359	\$187,185	\$202,576	\$138,295	\$222,042	\$167,720
Direct Equipment (A/P)	56	\$1,388	\$1,625	\$1,477	\$1,702	\$1,291	\$1,534	\$1,616	\$1,894	\$1,577	\$1,617	\$1,246	\$1,790
Direct Subcontractors (A/P)	56	\$18,741	\$21,917	\$19,804	\$22,826	\$17,313	\$20,577	\$21,671	\$25,389	\$21,147	\$21,680	\$16,702	\$24,003
Direct Other (A/P)	56	\$7,844	\$9,169	\$8,260	\$9,521	\$7,221	\$8,583	\$9,039	\$10,590	\$8,820	\$9,042	\$6,966	\$10,012
Variable Overhead (A/P)	56	\$130,494	\$152,602	\$137,812	\$158,839	\$120,470	\$143,186	\$150,801	\$176,674	\$147,152	\$150,860	\$116,222	\$167,029
Fixed Overhead (A/P)		\$193,669	\$200,121	\$200,121	\$200,121	\$200,121	\$200,121	\$200,121	\$200,121	\$200,121	\$200,121	\$200,121	\$200,121
Installment Payments - Bank		\$10,257	\$10,257	\$10,257	\$10,257	\$10,257	\$10,257	\$10,257	\$10,257	\$10,257	\$10,257	\$10,257	\$10,257
Installment Payments - Other		\$1,236	\$1,236	\$1,236	\$1,236	\$1,236	\$1,236	\$1,236	\$1,236	\$1,236	\$1,236	\$1,236	\$1,236
Miscellaneous Payments													
Fixed Asset Additions		\$12,000	\$15,700	\$24,000	\$6,820	\$12,000	\$1,200	\$9,500	\$6,000	\$8,500	\$4,600	\$2,500	\$18,600
Other Asset Additions				\$2,400			\$1,200			\$3,600			
Bonuses/Profit Sharing		\$250,000											
Other/Owner Distributions													
Interest on Credit Line	7.5	\$1,375	\$991	\$1,232	\$1,264	\$846	\$495	\$1,508	\$1,682	\$1,222	\$368	\$0	\$0
Federal Income Taxes	28			\$31,439			\$57,532			\$28,906			\$54,155
State/Province Income Taxes	3.5			\$3,930			\$7,192			\$3,613			\$6,769
TOTAL DISBURSEMENTS		\$994,099	\$792,250	\$800,986	\$741,747	\$737,147	\$868,080	\$821,275	\$818,174	\$773,315	\$754,166	\$740,516	\$862,142

CASH FLOW—BUDGET (Continued)

	FINAL	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Plus													
Depreciation Adjustments	\$121,985	\$10,165	\$10,165	\$10,165	\$10,165	\$10,165	\$10,165	\$10,165	\$10,165	\$10,165	\$10,165	\$10,165	\$10,165
Sale of Assets									\$6,200				
Inventory Reduction													
Other Cash Infusion (Not Loans)													
Direct Materials Discounts Earned	2.00	\$3,998	\$3,436	\$4,251	\$3,010	\$3,671	\$3,757	\$4,667	\$3,744	\$4,052	\$2,766	\$4,441	\$3,354
INDICATED BALANCE		\$61,416	(\$38,440)	(\$5,211)	\$66,878	\$56,236	(\$162,043)	(\$27,877)	\$73,510	\$136,711	\$72,716	\$21,550	(\$94,029)
Loans/Notes Adjustments													
Loans/Notes to be Obtained													
Loans/Notes to be Repaid													
Cash Reserves													
ENDING CASH BALANCE W/O DRAWS/REPAYS		\$61,416	(\$38,440)	(\$5,211)	\$66,878	\$56,236	(\$162,043)	(\$27,877)	\$73,510	\$136,711	\$72,716	\$21,550	(\$94,029)
Revolving Credit Line Adjustments													
Credit Line Draws - Anticipated		\$0	\$38,440	\$5,211	\$0	\$0	\$162,043	\$27,877	\$0	\$0	\$0	\$0	\$94,029
Credit Line Repayments - Anticipated		\$61,416	\$0	\$0	\$66,878	\$56,236	\$0	\$0	\$73,510	\$136,711	\$58,870	\$0	\$0
Current Credit Line Balance	\$220,050	\$158,634	\$197,074	\$202,285	\$135,407	\$79,171	\$241,214	\$269,091	\$195,581	\$58,870	\$0	\$0	\$94,029
MONTHLY ENDING CASH		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$13,846	\$21,550	\$0
CREDIT LINE / CASH NEEDED TO ACHIEVE BUDGET			\$269,091										
ANNUAL INTEREST DOLLARS PAID ON CREDIT LINE:			\$10,983										
ANNUAL PROFIT INCREASED FROM DISCOUNTING:			\$45,147										
ANNUAL NET PROFIT BEFORE TAXES \$:			\$648,564										
ANNUAL NET PROFIT BEFORE TAXES %:			6.73										
ANNUAL NET PROFIT AFTER TAXES \$:			\$455,028										
ANNUAL NET PROFIT AFTER TAXES %:			4.72										

CASH FLOW—ACTUAL

Budget/Actual:	FINAL	Budget Fiscal Year											
		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Percent Of Annual Sales	100.00	7.24	9.43	6.68	8.14	8.33	10.35	8.30	8.98	6.13	9.85	7.44	9.13
Fiscal Year	2005	2005	2005	2005	2005	2005	2005	2005	2005	2005	2005	2005	2005
INCOME	\$9,599,051	\$694,807	\$904,781	\$640,766	\$781,446	\$799,754	\$993,429	\$796,863	\$862,385	\$588,734	\$945,251	\$713,997	\$876,838
COSTS OF SALES													
Direct Labor	\$2,194,390	\$158,830	\$206,838	\$146,483	\$178,643	\$182,828	\$227,103	\$182,167	\$197,146	\$134,588	\$216,090	\$163,224	\$200,450
Direct Materials	\$2,254,833	\$163,204	\$212,535	\$150,518	\$183,564	\$187,864	\$233,359	\$187,185	\$202,576	\$138,295	\$222,042	\$167,720	\$205,971
Direct Equipment	\$19,054	\$1,380	\$1,796	\$1,272	\$1,551	\$1,587	\$1,972	\$1,582	\$1,712	\$1,169	\$1,876	\$1,417	\$1,740
Direct Subcontractor	\$255,471	\$18,490	\$24,080	\$17,054	\$20,798	\$21,285	\$26,439	\$21,208	\$22,952	\$15,669	\$25,157	\$19,003	\$23,336
Direct Other	\$106,557	\$7,712	\$10,044	\$7,113	\$8,675	\$8,878	\$11,028	\$8,846	\$9,573	\$6,535	\$10,493	\$7,926	\$9,734
TOTAL COST OF SALES	\$4,830,305	\$349,616	\$455,293	\$322,440	\$393,231	\$402,442	\$499,901	\$400,988	\$433,959	\$296,256	\$475,658	\$359,290	\$441,231
GROSS PROFIT	\$4,768,746	\$345,191	\$449,488	\$318,326	\$388,215	\$397,312	\$493,528	\$395,875	\$428,426	\$292,478	\$469,593	\$354,707	\$435,607
OPERATING EXPENSES													
Total Variable Overhead Expense	\$1,778,486	\$129,432	\$167,564	\$118,669	\$144,723	\$148,113	\$183,982	\$147,578	\$159,713	\$109,033	\$175,059	\$132,231	\$162,389
Total Fixed Expenses	\$2,399,887	\$198,556	\$200,121	\$200,121	\$200,121	\$200,121	\$200,121	\$200,121	\$200,121	\$200,121	\$200,121	\$200,121	\$200,121
TOTAL OPERATING EXPENSES	\$4,178,373	\$327,988	\$367,685	\$318,790	\$344,844	\$348,234	\$384,103	\$347,699	\$359,834	\$309,154	\$375,180	\$332,352	\$362,510
OPERATING INCOME (LOSS)	\$590,373	\$17,203	\$81,803	(\$464)	\$43,371	\$49,078	\$109,425	\$48,176	\$68,592	(\$16,676)	\$94,413	\$22,355	\$73,097
Other Income and Expenses	\$14,483	\$2,035	\$1,265	\$896	\$1,092	\$1,118	\$1,389	\$1,114	\$1,206	\$823	\$1,321	\$998	\$1,226
NPBT (LOSS)	\$604,856	\$19,238	\$83,068	\$432	\$44,463	\$50,196	\$110,814	\$49,290	\$69,798	(\$15,853)	\$95,734	\$23,353	\$74,323
Original NPBT Goal	\$614,400	\$28,782	\$83,068	\$432	\$44,463	\$50,196	\$110,814	\$49,290	\$69,798	(\$15,853)	\$95,734	\$23,353	\$74,323
Budget to Actual NPBT \$ Variance	(\$9,544)	(\$9,544)											
Budget to Actual NPBT % Variance	-1.55	-33.16											
CASH FLOW PROJECTION													
Beginning Cash Balance		\$244,083	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Plus			\$0										
Cash Reserves Carried Forward			\$0										
Collections (A/R)	77	\$783,324	\$740,209	\$781,359	\$795,450	\$779,547	\$692,115	\$778,566	\$871,575	\$895,809	\$813,951	\$733,614	\$733,044
AVAILABLE CASH		\$1,027,407	\$740,209	\$781,359	\$795,450	\$779,547	\$692,115	\$778,566	\$871,575	\$895,809	\$813,951	\$733,614	\$733,044
Less Disbursements													
Direct Labor (Payroll)		\$158,830	\$206,838	\$146,483	\$178,643	\$182,828	\$227,103	\$182,167	\$197,146	\$134,588	\$216,090	\$163,224	\$200,450
Direct Material (A/P)	30	\$183,683	\$171,794	\$212,535	\$150,518	\$183,564	\$187,864	\$233,359	\$187,185	\$202,576	\$138,295	\$222,042	\$167,720
Direct Equipment (A/P)	56	\$3,404	\$1,625	\$1,477	\$1,702	\$1,291	\$1,534	\$1,616	\$1,894	\$1,577	\$1,617	\$1,246	\$1,790
Direct Subcontractors (A/P)	56	\$2,978	\$21,917	\$19,804	\$22,826	\$17,313	\$20,577	\$21,671	\$25,389	\$21,147	\$21,680	\$16,702	\$24,003
Direct Other (A/P)	56	\$4,828	\$9,169	\$8,260	\$9,521	\$7,221	\$8,583	\$9,039	\$10,590	\$8,820	\$9,042	\$6,966	\$10,012
Variable Overhead (A/P)	56	\$186,647	\$152,602	\$137,812	\$158,839	\$120,470	\$143,186	\$150,801	\$176,674	\$147,152	\$150,860	\$116,222	\$167,029
Fixed Overhead (A/P)		\$191,256	\$200,121	\$200,121	\$200,121	\$200,121	\$200,121	\$200,121	\$200,121	\$200,121	\$200,121	\$200,121	\$200,121
Installment Payments - Bank		\$10,257	\$10,257	\$10,257	\$10,257	\$10,257	\$10,257	\$10,257	\$10,257	\$10,257	\$10,257	\$10,257	\$10,257
Installment Payments - Other		\$1,236	\$1,236	\$1,236	\$1,236	\$1,236	\$1,236	\$1,236	\$1,236	\$1,236	\$1,236	\$1,236	\$1,236
Miscellaneous Payments													
Fixed Asset Additions		\$14,587	\$15,700	\$24,000	\$6,820	\$12,000	\$1,200	\$9,500	\$6,000	\$8,500	\$4,600	\$2,500	\$18,600
Other Asset Additions			\$2,400				\$1,200			\$3,600			
Bonuses/Profit Sharing		\$250,000											
Other/Owner Distributions													
Interest on Credit Line	7.5	\$1,375	\$1,171	\$1,412	\$1,446	\$1,029	\$679	\$1,693	\$1,868	\$1,410	\$556	\$103	\$56
Federal Income Taxes	28			\$31,439			\$57,532			\$28,906			\$54,155
State/Province Income Taxes	3.5			\$3,930			\$7,192			\$3,613			\$6,769
TOTAL DISBURSEMENTS		\$1,009,081	\$792,430	\$801,166	\$741,929	\$737,330	\$868,264	\$821,460	\$818,360	\$773,503	\$754,354	\$740,619	\$862,198

CASH FLOW—ACTUAL (Continued)

	FINAL	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Plus													
Depreciation Adjustments	\$121,985	\$10,768	\$10,165	\$10,165	\$10,165	\$10,165	\$10,165	\$10,165	\$10,165	\$10,165	\$10,165	\$10,165	\$10,165
Sale of Assets									\$6,200				
Inventory Reduction													
Other Cash Infusion (Not Loans)													
Direct Materials Discounts Earned	Report Field	\$3,625	\$3,436	\$4,251	\$3,010	\$3,671	\$3,757	\$4,667	\$3,744	\$4,052	\$2,766	\$4,441	\$3,354
INDICATED BALANCE		\$32,719	(\$38,620)	(\$5,391)	\$66,696	\$56,053	(\$162,227)	(\$28,062)	\$73,324	\$136,523	\$72,528	\$7,601	(\$115,635)
Loans/Notes Adjustments													
Loans/Notes to be Obtained													
Loans/Notes to be Repaid													
Cash Reserves													
ENDING CASH BALANCE W/O DRAWS/REPAYS		\$32,719	(\$38,620)	(\$5,391)	\$66,696	\$56,053	(\$162,227)	(\$28,062)	\$73,324	\$136,523	\$72,528	\$7,601	(\$115,635)
Revolving Credit Line Adjustments													
Credit Line Draws - Anticipated		\$0	\$38,620	\$5,391	\$0	\$0	\$162,227	\$28,062	\$0	\$0	\$0	\$0	\$115,635
Credit Line Repayments - Anticipated		\$32,719	\$0	\$0	\$66,696	\$56,053	\$0	\$0	\$73,324	\$136,523	\$72,528	\$7,601	\$0
Current Credit Line Balance	\$220,050	\$187,331	\$225,951	\$231,342	\$164,646	\$108,593	\$270,820	\$298,882	\$225,558	\$89,035	\$16,507	\$8,906	\$124,541
MONTHLY ENDING CASH		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CREDIT LINE / CASH NEEDED TO ACHIEVE BUDGET			\$298,882										
ANNUAL INTEREST DOLLARS PAID ON CREDIT LINE:			\$12,798										
ANNUAL PROFIT INCREASED FROM DISCOUNTING:			\$44,774										
ANNUAL NET PROFIT BEFORE TAXES \$:			\$636,832										
ANNUAL NET PROFIT BEFORE TAXES %:			6.63										
ANNUAL NET PROFIT AFTER TAXES \$:			\$443,296										
ANNUAL NET PROFIT AFTER TAXES %:			4.62										

MEASURING THE "FISCAL-FITNESS" OF A COMPANY:
THE ALTMAN Z-SCORE

Year Being Viewed:

In the early 60's Edward Altman, using Multiple Discriminate Analysis (MDA), combined a set of 5 financial ratios to come up with the Altman Z-Score. This score uses statistical techniques to predict a company's probability of failure using the following 8 variables from a company's financial statements:

From the Income Statement:

1	EBIT (Earnings Before Interest & Taxes)	\$465,728
2	Net Sales	\$9,216,687

From the Balance Sheet:

3	Total Assets	\$3,324,009
4	Market Value of Equity	\$2,032,669
5	Total Liabilities	\$1,291,340
6	Current Assets	\$2,821,702
7	Current Liabilities	\$1,067,394
8	Retained Earnings	\$1,643,248

The 5 financial ratios in the Altman Z-Score and their respective weight factors are as follows:

RATIO	Weightage	Range
A EBIT / Total Assets	3.300	-4 to +8
B Net Sales / Total Assets	0.999	-4 to +8
C Market Value of Equity / Total Liabilities	0.600	-4 to +8
D Working Capital / Total Assets	1.200	-4 to +8
E Retained Earnings / Total Assets	1.400	-4 to +8

These ratios are multiplied by the weightage as above, and the results are added together.

$$\text{Z-Score} = A \times 3.300 + B \times 0.999 + C \times 0.600 + D \times 1.200 + E \times 1.400$$

If the Z-Score is:

Above 3.0	The company is safe based on these financial figures only.
Between 2.7 and 2.99	On alert. This zone is an area where one should exercise caution.
Between 1.8 and 2.7	Good chances of the company going bankrupt within 2 years of operations from the date of financial figures given.
Below 1.8	Probability of financial embarrassment is VERY high.

Z-Score 5.42