MORO CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2016

MORO CORPORATION AND SUBSIDIARIES

Year Ended December 31, 2016

CONTENTS

401 Plymouth Road, Suite 200 ■ Plymouth Meeting, PA 19462
Main: 610.862.2200 ■ Fax: 610.862.2500 ■ www.mhmcpa.com

INDEPENDENT AUDITORS' REPORT

To the Stockholders of

Moro Corporation

We have audited the accompanying consolidated financial statements of Moro Corporation and Subsidiaries, which comprise the consolidated balance sheet as of December 31, 2016, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the year then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entities' preparation and fair presentation of the consolidated 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 entities' 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Moro Corporation and Subsidiaries as of December 31, 2016, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Mayer Hoffman McCann P.C.

Plymouth Meeting, Pennsylvania
May 19, 2017

MORO CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

December 31, 2016

ASSETS	
CURRENT ASSETS	
Cash	$ 2,668,754
Accounts receivable, net	4,412,357
Contract receivables, net	8,499,168
Inventories	3,490,560
Costs and estimated earnings in excess of billings on uncompleted contracts	1,743,496
Prepaid expenses and taxes	612,615
Assets of discontinued operations	206,402
TOTAL CURRENT ASSETS	21,633,352
PROPERTY AND EQUIPMENT, net of accumulated depreciation and amortization	1,423,507
OTHER ASSETS	
Deferred financing fees, net	84,873
Other assets	43,523
Deferred income taxes, net	48,163
Goodwill	1,441,805
Assets of discontinued operations	76,293
TOTAL OTHER ASSETS	1,694,657
TOTAL ASSETS	$ 24,751,516
LIABILITIES	
CURRENT LIABILITIES	
Note payable - lines of credit	$ 8,281,356
Current portion of long-term debt	177,566
Accounts payable	3,511,249
Accrued expenses and other current liabilities	1,465,315
Income tax payable	270,556
Billings in excess of costs and estimated earnings on uncompleted contracts	652,432
Liabilities of discontinued operations	115,301
TOTAL CURRENT LIABILITIES	14,473,775
LONG-TERM LIABILITIES	
Long-term debt, less current portion above	266,445
Subordinated debentures	2,475,000
TOTAL LONG-TERM LIABILITIES	2,741,445
TOTAL LIABILITIES	17,215,220
STOCKHOLDERS' EQUITY	
Preferred stock, $.001 par value; 5,000,000 shares authorized; -0- shares issued and outstanding	-
Common stock, $.001 par value; 25,000,000 shares authorized; 6,369,337 shares issued; 6,119,337 shares outstanding	6,370
Additional paid-in capital	963,205
Retained earnings	6,666,721
	7,636,296
Treasury stock, at cost, 250,000 shares	(100,000)
TOTAL STOCKHOLDERS' EQUITY	7,536,296
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 24,751,516

See Notes to Financial Statements

MORO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS

Year Ended December 31, 2016

		% of Earned Revenues
EARNED REVENUES		
Construction material sales, net	$ 19,709,699	32.9
Construction contract revenues earned	40,174,572	67.1
TOTAL EARNED REVENUES	59,884,271	100.0
COST OF EARNED REVENUES		
Cost of goods sold	13,427,616	22.4
Cost of construction contracts	28,609,791	47.8
TOTAL COST OF EARNED REVENUES	42,037,407	70.2
GROSS PROFIT	17,846,864	29.8
GENERAL AND ADMINISTRATIVE EXPENSES	15,813,192	26.4
INCOME FROM OPERATIONS	2,033,672	3.4
OTHER INCOME (EXPENSE)		
Interest expense	(570,850)	(1.0)
Interest income	551	-
Other income	57,864	0.1
NET OTHER INCOME (EXPENSE)	(512,435)	(0.9)
INCOME FROM CONTINUING OPERATIONS BEFORE PROVISION FOR INCOME TAX EXPENSE	1,521,237	2.5
PROVISION FOR INCOME TAX EXPENSE	621,045	1.0
NET INCOME FROM CONTINUING OPERATIONS	900,192	1.5
DISCONTINUED OPERATIONS		
Loss from operations of discontinued division, net of tax benefit of $39,602	(92,095)	(0.2)
NET INCOME	$ 808,097	1.3

See Notes to Financial Statements

MORO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

Year Ended December 31, 2016

	Common Stock		Additional	Retained	Treasury Stock		Total Stockholders'
	Shares	Amount	Paid-in Capital	Earnings	Shares	Amount	Equity
Balances, December 31, 2015, as previously reported	6,369,337	$ 6,370	$ 963,205	$ 6,194,451	-	$ -	$ 7,164,026
Prior-period adjustment - to increase deferred revenues on service contracts, net of tax	-	-	-	(335,827)	-	-	(335,827)
Balances, December 31, 2015, as restated	6,369,337	6,370	963,205	5,858,624	-	-	6,828,199
Purchase of treasury stock	-	-	-	-	250,000	(100,000)	(100,000)
Net income	-	-	-	808,097	-	-	808,097
Balances, December 31, 2016	6,369,337	$ 6,370	$ 963,205	$ 6,666,721	250,000	$ (100,000)	$ 7,536,296

See Notes to Financial Statements

MORO CORPORATION AND SUBSIDIARIES

STATEMENT OF CASH FLOWS

Year Ended December 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Net income	$ 808,097
Adjustments to reconcile net income to net cash flows from operating activities	
Depreciation and amortization	560,609
Bad debt expense	1,017,201
Deferred income taxes	261,453
Loss (gain) on disposal of property and equipment	(75,318)
Decrease (increase) in operating assets	
Accounts receivable, net	162,645
Contract receivables, net	484,326
Inventories	(25,088)
Costs and estimated earnings in excess of billings on uncompleted contracts	566,052
Prepaid expenses and taxes	(174,296)
Increase (decrease) in operating liabilities	
Accounts payable	(1,243,909)
Accrued expenses and other current liabilities	231,271
Accrued income taxes payable	270,556
Billings in excess of costs and estimated earnings on uncompleted contracts	199,597
Total adjustments	2,235,099
NET CASH FLOWS FROM OPERATING ACTIVITIES	3,043,196
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(269,567)
Proceeds from disposal of property and equipment	93,306
Increase in other assets and discontinued operations, net	36,193
Increase in goodwill	(7,500)
NET CASH FLOWS FROM INVESTING ACTIVITIES	(147,568)
CASH FLOWS FROM FINANCING ACTIVITIES	
Net repayments under note payable - lines of credit	(1,338,900)
Repayments of long-term debt	(194,590)
Proceeds from issuance of subordinated debentures	100,000
Repayments of subordinated debentures	(400,000)
Purchase of treasury stock	(100,000)
NET CASH FLOWS FROM FINANCING ACTIVITIES	(1,933,490)
NET INCREASE IN CASH	962,138
CASH, BEGINNING OF YEAR	1,706,616
CASH, END OF YEAR	$ 2,668,754

See Notes to Financial Statements

(1) Summary of significant accounting policies

Nature of business - The operations of Moro Corporation (“Moro”) and its wholly-owned subsidiaries (collectively referred to as the “Company”) consist primarily of the fabrication and sale of construction materials and construction contracting.

Principles of consolidation - The consolidated financial statements include the accounts of Moro and its wholly-owned subsidiaries, Appolo Heating, Inc. (“Appolo”), J&J Sheet Metal Works, Inc. (“J&J”), Titchener Iron Works, Inc. (“Titchener”), Rondout Electric, Inc. (“Rondout”), and J.M. Ahle Co., Inc. (“Ahle”) and its unincorporated division, Whaling City Iron (“Whaling”), and Rado Enterprises, Inc. (“Rado”). All material intercompany accounts and transactions are eliminated.

Appolo’s operations consist of sales, installation, and service of heating, ventilation, and air conditioning systems and related piping and sheet metal work, primarily in the greater Albany and Northern Westchester County sections of New York State.

J&J’s operations consist of fabrication and installation of sheet metal ductwork to commercial customers primarily in the greater Binghamton, New York area.

Titchener’s operations consist of fabrication and installation of structural and miscellaneous steel to commercial customers primarily in the greater Binghamton, New York area.

Rondout’s operations consist of electrical contracting services for public and private sector customers primarily in the greater Albany and Northern Westchester County sections of New York State.

Ahle’s operations consist of fabrication of reinforced steel and distribution of construction accessories in the Metropolitan New York City, New Jersey, and Eastern Pennsylvania areas. Ahle’s operations include the operations of Whaling, whose operations consist of distribution of reinforcing, structural, and miscellaneous steel in the greater Boston, MA and Providence, RI areas.

During 2013, the Company classified the operations of Rado as discontinued operations and as of December 31, 2016, the liquidation of Rado is nearly complete. See Note 14.

The Company extends credit to its customers, the majority of which are located in Central/Northern New York State, and do not require collateral. Appolo, J&J, and Rondout, as a condition for entering into some of their construction contracts, had outstanding surety bonds as of December 31, 2016.

Use of estimates - The preparation of consolidated 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, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management’s estimates and assumptions include, but are not limited to, estimates of contract revenue, costs and gross profit, collectability of contract and accounts receivable, the value of goodwill, and salvage values and estimated useful lives of property and equipment. Management’s estimates and assumptions are derived from and are continually evaluated based upon available information, judgment, and experience. Because of inherent uncertainties in estimating costs on construction contracts, it is at least reasonably possible that the estimates used will change within the near term.

(1) Summary of significant accounting policies (continued)

Prior period adjustment - Retained earnings as of December 31, 2015, has been restated to correct an error in the measurement of deferred revenues on service contracts, which are included in accrued expenses and other current liabilities on the consolidated balance sheet. The impact of this prior-period adjustment was a decrease in retained earnings of $335,827, net of deferred income taxes of $223,885.

Operating cycle - Assets and liabilities related to long-term contracts are included in current assets and current liabilities in the accompanying consolidated balance sheets as they will be liquidated in the normal course of contract completion, although this may require more than one year.

Revenues and cost recognition - Revenues from fixed-price construction contracts are recognized on the percentage-of-completion method, measured by percentage of costs incurred to date to estimated total costs for each contract. This method is used because management considers expended costs to be the best available measure of progress on these contracts.

Contract costs include all direct labor, material, subcontract costs, and other direct costs, and allocated indirect costs related to contract performance. 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 estimated job profitability, resulting from job performance, job conditions, contract penalty provisions, claims, change orders, and settlements are accounted for as changes in estimates in the current period. Claims are included in revenues when realization is probable and can be reliably estimated.

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

Revenues from time and material contracts and construction material sales are recognized using the accrual method of accounting and when it is realized or realizable and earned. This occurs when there is persuasive evidence of an arrangement, delivery has occurred, sales price is fixed and determinable, and collection is reasonably assured.

Revenues on service contracts are deferred and credited to contract revenues on the straight-line basis over the life of the contracts. The contracts are generally a one-year duration.

The costs of shipping and handling are recognized at the time the products are shipped or delivered to the customer and are included in cost of earned revenues in the consolidated statements of operations.

Stock-based compensation - Stock-based compensation costs are measured based on the fair value of the equity instrument awarded and recognized over the vesting period of each award.

Cash - The Company considers cash on hand and bank checking, savings, and money market accounts to be cash.

Concentration of credit risk - At times throughout the year, the Company may maintain certain bank accounts in excess of the FDIC insured limit. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk in these accounts.

(1) Summary of significant accounting policies (continued)

Concentration of credit risk (continued) - During the year ended December 31, 2016, approximately 10% of total construction contract revenues were from one customer. As of December 31, 2016, approximately 20% of the Company's contract receivables were with two customers.

Contract and accounts receivable - Contract and accounts receivable are carried at cost, less an allowance for losses. The Company does not accrue finance or interest charges. On a periodic basis, the Company evaluates its contract and accounts receivable and establishes an allowance for losses, based on the history of past write-offs and collections and current credit conditions. A receivable is written off when it is determined that all collection efforts have been exhausted. All nonpublic funded projects are collateralized by normal contractor lien rights against the property. As of December 31, 2016, the allowance for losses totaled $285,328.

Inventories - Inventories are stated at the lower of cost or market using the first-in, first-out method. Cost is determined by using average cost. Market is based upon realizable value, less allowance for selling and distribution expenses and normal gross profit. Maintenance, operating, and other supplies are expensed as incurred. As of December 31, 2016, all inventories consist of raw materials, equipment, and parts which are available for sale.

Property and equipment - The cost of property and equipment is depreciated over the estimated useful lives of the related assets. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful lives of the assets. Depreciation and amortization are computed on the straight-line method for financial reporting purposes.

Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized. When property and equipment are sold or otherwise disposed of, the asset accounts and related accumulated depreciation or amortization accounts are relieved, and any gain or loss is included in operations.

The estimated useful lives of property and equipment are:

Assets	Estimated Useful Lives
Machinery and equipment	7 Years
Vehicles	5 Years
Office equipment	5 Years

Deferred financing fees - Deferred financing fees consist of commitment fees and other costs related to debt obligations and are stated at cost. Amortization is computed using the effective interest method over the term of the loan. Amortization expense was $30,864 for the year ended December 31, 2016, and accumulated amortization was $69,444 as of December 31, 2016.

Goodwill - Goodwill represents the excess of cost over fair value of net assets acquired through Moro's acquisition of its subsidiaries. The Company accounts for goodwill in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 350, "Goodwill and Other Intangible Assets." Under ASC Topic 350, goodwill is not amortized but is reviewed at least annually for impairment based upon the fair value of the underlying cash flows. As of December 31, 2016, the Company completed its annual impairment testing and no impairment adjustment was required in these consolidated financial statements.

(1) Summary of significant accounting policies (continued)

Income taxes - The Company accounts for income taxes using the liability method. Under the liability method, deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each year-end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable for the year and the change during the year in deferred tax assets and liabilities.

The Company accounts for the effect of any uncertain tax positions using FASB ASC Topic 740-10, "Income Taxes," based on a "more likely than not" threshold applied to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a "cumulative probability assessment" that aggregates the estimated tax liability for all uncertain tax positions. Interest and penalties assessed, if any, are accrued as income tax expense. The Company has determined that it has no tax positions resulting in an uncertainty requiring recognition. The Company believes is no longer subject to income tax examinations for years prior to 2013.

Advertising expense - The Company expenses advertising costs as they are incurred. Advertising expense for the year ended December 31, 2016, was $414,551.

(2) Contract receivables, net

Contract receivables, net consist of the following as of December 31, 2016:

Billed		
Completed contracts and time and materials jobs	$	4,050,962
Contracts in progress		3,011,156
Retainage		1,480,370
		8,542,488
Less allowance for losses		43,320
	$	8,499,168

(3) Costs and estimated earnings on uncompleted contracts

Costs incurred on uncompleted contracts	$	34,081,353
Estimated earnings		5,095,748
		39,177,101
Less billed to date		38,086,037
	$	1,091,064

(3) Costs and estimated earnings on uncompleted contracts (continued)

Included in the accompanying consolidated balance sheet under the following captions:

Costs and estimated earnings in excess of billings on uncompleted contracts	$	1,743,496
Billings in excess of costs and estimated earnings on uncompleted contracts		(652,432)
	$	1,091,064

(4) Property and equipment

The following is a summary of property and equipment, at cost, less accumulated depreciation and amortization:

Cost		
Machinery and equipment	$	3,810,388
Vehicles		2,211,057
Office equipment		1,002,937
Leasehold improvements		372,776
Total cost		7,397,158
Accumulated depreciation and amortization		(5,973,651)
Net property and equipment	$	1,423,507

Depreciation and amortization expenses for the year ended December 31, 2016, were $529,745.

(5) Note payable - lines of credit

The Company, through its subsidiaries, maintains equipment and working capital line of credit facilities with a financial institution. As of December 31, 2016, the Company's maximum availability under these line of credit facilities was $9,788,049, plus certain fees and expenses. These facilities are collateralized by substantially all of the Company's assets. The credit facilities also require the Company to maintain certain financial covenants. These lines of credit are subject to renewal on September 30, 2017.

As of December 31, 2016, borrowings under these line of credit facilities were $8,281,356. These borrowings bear interest at the prime rate or LIBOR plus two hundred twenty-five (225) basis points (effective rate of 3.19% as of December 31, 2016). The Company may prepay amounts under the credit facility without penalty or premium but must pay any interest accrued to the date of such prepayment.

(6) Long-term debt

Long-term debt consists of the following as of December 31, 2016:

Term notes payable to various banks, due in monthly installments totaling approximately $13,000, expiring at various dates through July 2020, including interest at various rates up to 12.31%, secured by vehicles and equipment.	$	331,521
Notes payable to various finance companies, due in monthly installments totaling approximately $5,000, expiring at various dates through November 2021, including interest at various rates up to 6.10%, secured by vehicles and equipment.		112,490
Term note payable to a former owner, repaid in 2016.		-
		444,011
		177,566
	$	266,445

Annual maturities of long-term debt are as follows:

Years Ending December 31,		
2017	$	177,566
2018		131,952
2019		93,501
2020		28,063
2021		12,929
	$	444,011

(7) Subordinated debentures

The Company's outstanding subordinated debentures consist of the following as of December 31, 2016:

8% nonconvertible, maturing June 30, 2015	$	275,000
10% nonconvertible, maturing at various dates in 2016		925,000
8% convertible, maturing September 30, 2017		425,000
8% nonconvertible, maturing December 31, 2016		750,000
8% nonconvertible, maturing December 31, 2018		100,000
	$	2,475,000

(7) <u>Subordinated debentures</u> (continued)

Interest on these subordinated debentures is paid semi-annually. The Company anticipates that the debentures that were scheduled to mature in 2015 and 2016 or that are scheduled to mature in 2017 will be extended.

The conversion price on the convertible debentures is $1.50 per common share. If all convertible debentures were converted, a total of 141,666 common shares would be issued, which the Company has reserved.

(8) <u>Stock option plan</u>

The Company's Stock Option Plan and Agreement (the "Plan") permits the granting of share options to its employees for the purpose of advancing the interests of the Company by providing an incentive to the employee through the encouragement of stock ownership in the Company by the employee. During 2011, the Company granted 500,000 stock options to an employee. The options vest over four (4) years and have an exercise price of $1 for 375,000 options and $2 for 125,000 options. The Company calculated the related expense using the Black-Scholes model and deemed the compensation expense amount to be insignificant. As of December 31, 2016, 375,000 options are available to be exercised and the unrecognized compensation costs approximate $200,000 (pre-tax). No options were granted during the year ended December 31, 2016.

(9) <u>Related-party transactions</u>

Variable interest entities - FASB ASC Topic 810-10, "Consolidations," provides a framework for identifying variable interest entities ("VIEs") and determining when a company should include the assets, liabilities, noncontrolling interests, and results of activities of a VIE in its financial statements. In general, a VIE is a corporation, partnership, limited liability company, trust, or any other legal structure used to conduct activities or hold assets that: (1) has an insufficient amount of equity to carry out its principal activities without additional subordinated financial support, (2) has a group of equity owners that lack the ability to direct the activities of the entity that most significantly impact its economic performance through voting or similar rights, or (3) has a group of equity owners that lack the obligation to absorb losses of the entity or the right to receive returns of the entity.

An entity with a variable interest in a VIE should consolidate the VIE if that entity has the power to direct the activities that most significantly impact the economic performance of the VIE and the obligation to absorb losses or the right to receive benefits of the VIE that could be significant to the VIE. The entity that consolidates the VIE is called the primary beneficiary. The primary beneficiary can be an entity without voting control of the VIE. Upon consolidation, the primary beneficiary generally must initially record all of the VIE's assets, liabilities, and noncontrolling interests under the guidance on business combinations.

The Company has VIE relationships with several other entities. Management has determined that the Company is not the primary beneficiaries of these entities. The Company is not subject to any risk of loss related to these entities.

Rent expense - The Company leases office space and land from entities related through common ownership. See Note 11.

(10) Income taxes

The provision for income tax expense, including the provision for income tax expense (benefit) from discontinued operations, consists of the following:

		Year Ended December 31, 2016
Current portion		
Federal	$	20,000
State		76,105
		96,105
Deferred		
Federal		477,087
State		8,251
		485,338
Total income tax expense	$	581,443

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. As of December 31, 2016, the significant components of the Company's deferred tax assets/liabilities are as follows:

Deferred tax asset:		
Allowance for losses	$	80,188
Inventories - 263A		48,115
Service contracts		223,885
Federal - NOL		16,047
State - NOL		759,243
State - bonus depreciation		1,697
Other		113,330
		1,242,505
Less valuation allowance		(367,000)
		875,505
Deferred tax liabilities:		
Depreciation - property		(304,460)
Amortization - goodwill		(369,381)
Other		(153,501)
		(827,342)
	$	48,163

The effective income tax rate differs from the expected statutory tax rate due to certain permanent differences.

As of December 31, 2016, the Company has available Federal and State net operating loss carryforwards of approximately $48,000 and $5,000,000, respectively, which expire at various dates through December 31, 2028.

(11) Commitments and contingencies

The Company leases facilities from entities owned by the principal stockholder of the Company under monthly leases and lease commitments extending past 2017. These lease commitments require annual payments of approximately $20,000 and expire at various dates through July 2020.

The Company also leases a facility partially owned by the president of J&J. This lease requires annual payments of approximately $71,000 and expires in October 2017.

In addition, the Company leases facilities, vehicles, and equipment from unrelated parties under various operating lease agreements. These leases require annual payments totaling approximately $29,000 and expire at various dates through February 2021.

The minimum commitments under noncancellable leases are:

Years Ending December 31,	Related Parties	Unrelated Third Parties	Total
2017	$ 90,000	$ 340,000	$ 430,000
2018	30,000	330,000	360,000
2019	20,000	320,000	340,000
2020	10,000	190,000	200,000
2021	-	20,000	20,000
	$ 150,000	$ 1,200,000	$ 1,350,000

Rent expense totaled approximately $670,000 for the year ended December 31, 2016.

The Company may be involved in various legal actions from time to time arising in the normal course of business. In the opinion of management, there are no matters outstanding that would have a material adverse effect on the financial position or results of operations of the Company.

(12) Backlog

The following schedule shows a reconciliation of backlog representing signed contracts in existence as of December 31, 2016:

Balance - December 31, 2015	$ 15,801,458
New contracts and contract adjustments, 2016	39,776,724
	55,578,182
Less contract revenue earned, 2016	40,174,572
Balance - December 31, 2016	$ 15,403,610

(13) Employee benefit plans

Each subsidiary of the Company sponsors a 401(k) profit sharing plan for its employees who are not subject to collective bargaining agreements and who meet specified age and service requirements. The plans provide for participants to make contributions which may be matched by each subsidiary of the Company at its discretion. Additionally, each subsidiary of the Company can make profit sharing contributions at its discretion, not to exceed the maximum allowable by the Internal Revenue Code. Total contributions made to these plans were $164,071 for the year ended December 31, 2016.

(14) Discontinued operations

In December 2013, the Company classified Rado as discontinued operations. As of December 31, 2016, Rado was in the process of winding down its business and liquidating its assets.

The operations of Rado for the year ended December 31, 2016, are summarized as follows:

Earned revenues	$	-
Cost of earned revenues		-
Gross loss		-
Operating expenses		131,697
Loss from operations		(131,697)
Other expense		-
Loss from operations before income taxes		(131,697)
Provision for income tax expense (benefit)		(39,602)
Net loss	$	(92,095)

Summarized balance sheet data for the discontinued operations of Rado as of December 31, 2016, is as follows:

Assets:		
Contracts receivable (including retention)	$	206,402
Property and equipment, net		76,293
	$	282,695
Liabilities:		
Accounts payable and accrued expenses	$	115,301

(15) Cash flow disclosures

The following is a summary of supplemental cash flow information:
Cash paid during the year for:

Interest	$	589,010
Income taxes	$	17,688

The following is a summary of noncash investing and financing activities:

During the year ended December 31, 2016, the Company disposed of equipment costing $525,428 with accumulated depreciation of $522,929. Also during the year ended December 31, 2016, the Company acquired property and equipment costing $92,513 by incurring long-term debt in the same amount.

(16) Subsequent events

The Company has evaluated subsequent events through May 19, 2017, which is the date the consolidated financial statements were available to be issued. In February 2017, the Company was notified that Rado was assessed a withdrawal liability from a union to which it had contributed. The Company intends to contest this assessment and as of the date these consolidated financial statements were available to be issued, management and the Company's attorney cannot determine the impact of this assessment to the consolidated financial statements.