

# Unaudited



**Compost Man, LLC**  
**Financial Statements**  
**December 31, 2017**  
**(See Accountant's Review Report)**



**Mark J. Stiegel, Certified Public Accountant, LLC**

**Compost Man, LLC  
Reviewed Financial Statement  
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## **Mark J Stiegel, LLC**

Certified Public Accountant

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### **INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

To Management  
Compost Man, LLC  
St. Cloud, Minnesota

I have reviewed the accompanying financial statements of Compost Man, LLC (a limited liability company), which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of income 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 whole. Accordingly, I 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 the financial statements that are free from misstatement whether due to fraud or error.

#### **Accountant's Responsibility**

My responsibility is to conduct the review engagement 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 me to perform procedures to obtain limited assurance as a basis for reporting whether I am 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. I believe that the results of my procedures provide a reasonable basis for my conclusion.


#### **Accountant's Conclusion**

Based on my reviews, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

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**Supplementary Information**

The supplementary information included contains a balance sheet dated January 1, 2018 that includes assets transferred on January 1, 2018 from a related entity under common ownership of Compost Man, LLC. The balance sheet is the representation of management. I have reviewed the balance sheet and, based on my review, I am not aware of any material modifications that should be made to the balance sheet in order for it to be in accordance with accounting principles generally accepted in the United States of America. I have not audited the information and, accordingly, do not express an opinion on such information.

  
Mark J. Stiegel, LLC  
Certified Public Accountant

St. Cloud, Minnesota

April 5, 2018

**Compost Man, LLC**  
**Balance Sheets**  
**December 31, 2017 and 2016**

|                                       | <u>Dec 31, 17</u>   | <u>Dec 31, 16</u>    |
|---------------------------------------|---------------------|----------------------|
| <b>ASSETS</b>                         |                     |                      |
| Current Assets                        |                     |                      |
| Checking/Savings                      |                     |                      |
| Wells Fargo - Checking 2041           | 50.00               | 177.89               |
| Wells Fargo - Savings 6999            | 25.00               | 51.00                |
| Wells Savings #8393 J McNelly         | 0.00                | 79.00                |
| Total Checking/Savings                | <u>75.00</u>        | <u>307.89</u>        |
| Total Current Assets                  | <u>75.00</u>        | <u>307.89</u>        |
| <b>TOTAL ASSETS</b>                   | <b><u>75.00</u></b> | <b><u>307.89</u></b> |
| <b>LIABILITIES &amp; EQUITY</b>       |                     |                      |
| Liabilities                           |                     |                      |
| Current Liabilities                   |                     |                      |
| Credit Cards                          |                     |                      |
| Prepaid Credit Card                   | 0.00                | 157.32               |
| Total Credit Cards                    | <u>0.00</u>         | <u>157.32</u>        |
| Other Current Liabilities             |                     |                      |
| Note Payable - RCM                    | 3,100.72            | 0.00                 |
| Total Other Current Liabilities       | <u>3,100.72</u>     | <u>0.00</u>          |
| Total Current Liabilities             | <u>3,100.72</u>     | <u>157.32</u>        |
| Total Liabilities                     | <u>3,100.72</u>     | <u>157.32</u>        |
| Equity                                |                     |                      |
| Members Draw                          | -2,019.18           | 0.00                 |
| Members Equity                        | 1,703.39            | 3,186.78             |
| Net Income                            | -2,709.93           | -3,036.21            |
| Total Equity                          | <u>-3,025.72</u>    | <u>150.57</u>        |
| <b>TOTAL LIABILITIES &amp; EQUITY</b> | <b><u>75.00</u></b> | <b><u>307.89</u></b> |

See accompanying notes and independent accountant's report.

**Compost Man, LLC**  
**Income Statements**  
For The Years Ended December 31, 2017 and 2016

|                                 | Jan - Dec 17            | Jan - Dec 16            |
|---------------------------------|-------------------------|-------------------------|
| <b>Ordinary Income/Expense</b>  |                         |                         |
| Income                          |                         |                         |
| Sales                           | 785.69                  | 0.00                    |
| <b>Total Income</b>             | <u>785.69</u>           | <u>0.00</u>             |
| <b>Gross Profit</b>             | 785.69                  | 0.00                    |
| <b>Expense</b>                  |                         |                         |
| Automobile Expense              |                         |                         |
| Fuel                            | 869.59                  | 349.58                  |
| Automobile Expense - Other      | 188.48                  | 47.31                   |
| <b>Total Automobile Expense</b> | <u>1,058.07</u>         | <u>396.89</u>           |
| Bank Service Charges            | 0.00                    | 13.79                   |
| Computer and Internet Expenses  | 0.00                    | 16.10                   |
| Dues and Subscriptions          | 327.01                  | 0.00                    |
| Interest Expense                | 49.22                   | 434.73                  |
| Licenses                        | 0.00                    | 45.00                   |
| Meals and Entertainment         | 414.45                  | 1,678.14                |
| Office Supplies                 | 0.00                    | 4.69                    |
| Reconciliation Discrepancies    | 0.00                    | 0.00                    |
| Rent Expense                    | 348.00                  | 0.00                    |
| Research and Development        | 0.00                    | 96.17                   |
| Telephone Expense               | 566.76                  | 279.16                  |
| Travel Expense                  |                         |                         |
| Airport parking, transfers, etc | 0.00                    | 56.00                   |
| Car Rental                      | 59.00                   | 14.02                   |
| Lodging                         | 290.34                  | 0.00                    |
| Overnight Meals                 | 22.87                   | 21.95                   |
| Travel Expense - Other          | 359.90                  | 0.00                    |
| <b>Total Travel Expense</b>     | <u>732.11</u>           | <u>91.97</u>            |
| <b>Total Expense</b>            | <u>3,495.62</u>         | <u>3,056.64</u>         |
| <b>Net Ordinary Income</b>      | -2,709.93               | -3,056.64               |
| <b>Other Income/Expense</b>     |                         |                         |
| Other Income                    |                         |                         |
| Uncategorized Income            | 0.00                    | 20.43                   |
| <b>Total Other Income</b>       | <u>0.00</u>             | <u>20.43</u>            |
| <b>Net Other Income</b>         | 0.00                    | 20.43                   |
| <b>Net Income</b>               | <u><u>-2,709.93</u></u> | <u><u>-3,036.21</u></u> |

See accompanying notes and independent accountant's report.

**Compost Man, LLC**  
**Statement of Cash Flows**  
**For The Year Ended December 31, 2017**

|   | <u>Jan - Dec 17</u> |
|---|---------------------|
| <b>OPERATING ACTIVITIES</b>   |                     |
| Net Income  | -2,540.76           |
| Adjustments to reconcile Net Income to net cash provided by operations: |                     |
| Accounts Receivable   | -169.17             |
| Prepaid Credit Card   | -157.32             |
| Note Payable - RCM  | 3,100.72            |
| Net cash provided by Operating Activities                               | 233.47              |
| <b>FINANCING ACTIVITIES</b>   |                     |
| Members Draw  | -2,019.18           |
| Members Equity  | 1,552.82            |
| Net cash provided by Financing Activities                               | -466.36             |
| Net cash increase for period  | -232.89             |
| Cash at beginning of period   | 307.89              |
| Cash at end of period   | <u>75.00</u>        |

See accompanying notes and independent accountant's report.

**Compost Man, LLC**  
**Statement of Cash Flows**  
**For The Year Ended December 31, 2016**

|   | <u>Jan - Dec 16</u> |
|---|---------------------|
| <b>OPERATING ACTIVITIES</b>   |                     |
| Net Income  | 463.79              |
| Adjustments to reconcile Net Income to net cash provided by operations: |                     |
| Accounts Receivable   | -3,500.00           |
| Prepaid Credit Card   | -129.71             |
| Note Payable - Linda M  | 822.29              |
| Note Payable - RCM  | 31,889.32           |
| Net cash provided by Operating Activities                               | 29,545.69           |
| <b>FINANCING ACTIVITIES</b>   |                     |
| Members Draw  | -9,226.57           |
| Members Equity  | -20,025.66          |
| Net cash provided by Financing Activities                               | -29,252.23          |
| Net cash increase for period  | 293.46              |
| Cash at beginning of period   | 14.43               |
| Cash at end of period   | <u>307.89</u>       |

See accompanying notes and independent accountant's report.



**Compost Man, LLC**  
**Balance Sheet**  
 January 1, 2018

|                                       | <u>Jan 1, 18</u>    |
|---------------------------------------|---------------------|
| <b>ASSETS</b>                         |                     |
| Current Assets                        |                     |
| Checking/Savings                      |                     |
| Wells Fargo - Checking 2041           | 50.00               |
| Wells Fargo - Savings 6999            | 25.00               |
| Total Checking/Savings                | <u>75.00</u>        |
| Total Current Assets                  | 75.00               |
| Fixed Assets                          |                     |
| Accumulated Depreciation              | -159,211.42         |
| Field Container Equipment             | 159,211.42          |
| Total Fixed Assets                    | <u>0.00</u>         |
| <b>TOTAL ASSETS</b>                   | <u><u>75.00</u></u> |
| <b>LIABILITIES &amp; EQUITY</b>       |                     |
| Equity                                |                     |
| Members Equity                        | 75.00               |
| Total Equity                          | <u>75.00</u>        |
| <b>TOTAL LIABILITIES &amp; EQUITY</b> | <u><u>75.00</u></u> |

See accompanying notes and independent accountant's report.

## **Compost Man, LLC Notes to Financial Statements**

### **Note 1-Summary of Significant Accounting Policies**

#### **Nature of Operations**

Formed in 1998, Compost Man, LLC has been in the environmental consulting business writing grants and managing projects related to small scale composting systems for homes, businesses and poultry farms. A consultant to USDA during the 2015 avian flu breakout, Compost Man, LLC has also worked with government and industry in matters pertaining to biosecurity and pollution prevention. Other USDA research projects have included improving energy efficiency and environmental protection with respect to bio-security and environmental compliance.

This venture, doing business as NaturSoil of California, represents a change of focus into operating a composting bio-fertilizer manufacturing facility where capital investment and infrastructure of composting equipment will become necessary to meet goals and objectives.

#### **Use of Estimates**

Management uses estimates and assumptions in preparing financial statements. 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.

#### **Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Company considers all highly liquid debt securities purchased with a maturity of three months or less to be the equivalent of cash. All cash accounts of the Company are checking and/or savings accounts utilized in the ordinary course of business operations.

#### **Revenue and Cost Recognition**

The Company will recognize revenues from fixed-priced and modified fixed-priced construction contracts on the percentage-of-completion method, measured by the percentage of cost incurred to date to estimated total cost for each composting or bio-fertilizer contract. That method will be used because management considers total cost to be the best available measure of progress on these types of contracts. Because of inherent uncertainties in estimating costs, it is at least reasonably possible that the estimates may change as actual costs are incurred from vendors.

The Company will recognize revenues from smaller projects without specific contracts on a completed-contract method.

## **Compost Man, LLC** **Notes to Financial Statements**

### **Note 1-Summary of Significant Accounting Policies**

#### **Accounts Receivable**

Trade accounts receivable will be stated at the amount management expects to collect from outstanding balances including retainage that is typically ten percent of the sales contract when and where appropriate especially when working with governmental entities. Management will provide for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts will be written off through a charge to the valuation allowance and a credit to trade accounts receivable.

#### **Inventory**

The Company's inventory, should inventories become a standard commodity, will be valued at the lower of cost (first-in, first-out method) or market (net realizable value). Generally however, the Company will not typically maintain an excess materials inventory. Most job materials will be purchased according to job cost requirements for each project. Any materials left from a job will be returned to the vendor for credit.

#### **Depreciation**

The Company's equipment, consisting of composting containers, are recorded at their original cost and have been depreciated over the estimated useful life of the asset. The containers were assigned a seven year life and were fully depreciated using the straight-line method, which is generally accepted under accounting principles, before they were transferred from a related entity on January 1, 2018. Management considers the containers to have a substantially longer useful life than the net carrying basis of these units that were transferred at a zero basis value. (see Note 2)

#### **Fair Value of Financial Instruments**

The Company's financial instruments are only cash as of the balance sheet date. The estimated value of cash as stated on the balance sheet is equal to the net carrying value based on its short-term nature in the ordinary course of business.

#### **Date of Management's Review**

Management has evaluated subsequent events through April 5, 2018, the date which the financial statements were available to be issued.

## **Compost Man, LLC Notes to Financial Statements**

### **Note 2-Related Party Transactions**

The Company has a related entity, Renewable Carbon Management, LLC (RCM) that was engaged in field project management of bio-security composting systems throughout the United States and Canada for over a decade. Certain costs of operating including travel and entertainment, and vehicle and office expenses of management, have been shared by these entities over the past several years including 2017 and 2016.

The two entities frequently advance funds to one another on a monthly basis as cash flow has provided. Generally, the advances have been short-term in nature with no written or stated repayment terms. The Company owed RCM \$3,101 on December 31, 2017. This advance was subsequently adjusted to member equity on January 1, 2018 as part of the transfer of field containers from RCM on that same date. (see Note 1-Depreciation)

### **Note 3-Non-Cash Investing and Financing Activities**

The Company transferred in equipment assets (field containers) with a net carrying basis at zero on January 1, 2018. Management intends to use the field containers in future projects as the estimated useful life of the containers is at least seven additional years.

### **Note 4-Subsequent Events**

In March of 2018, Compost Man, LLC invoiced and received a \$7,000 consulting contract payment from an Illinois based company that was used to pay operating expenses incurred during the first quarter of 2018. The cash balance in the Company operating bank account was approximately \$1,250 on April 1, 2018.