

Client Documents

**WILLIS INVESTMENT MANAGEMENT COMPANY
(A SUBCHAPTER S CORPORATION)
CHARLOTTESVILLE, VIRGINIA**

BALANCE SHEET

DECEMBER 31, 2011

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Willis Investment Management Company
Charlottesville, Virginia

We have audited the accompanying balance sheet of Willis Investment Management Company, a Virginia Subchapter S corporation, as of December 31, 2011. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement 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 balance sheet is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation. We believe that our audit of the balance sheet provides a reasonable basis for our opinion.

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of Willis Investment Management Company as of December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

Wills & Associates, PC
Charlottesville, Virginia

February 22, 2012

Financial Reports

WILLIS INVESTMENT MANAGEMENT COMPANY
BALANCE SHEET
DECEMBER 31, 2011

ASSETS

CURRENT ASSETS

Cash	\$ 33,285
Accounts receivable	10,781
Employee advance	<u>2,000</u>
Total Current Assets	<u>46,066</u>

PROPERTY AND EQUIPMENT

Furniture and equipment	35,581
Automobile	54,792
Leasehold improvements	<u>8,224</u>
Total	98,597
Less: Accumulated depreciation	<u>53,958</u>
Net Property and Equipment	<u>44,639</u>

OTHER ASSETS

Loans to stockholder	<u>38,746</u>
Total Other Assets	<u>38,746</u>

TOTAL ASSETS	<u><u>\$ 129,451</u></u>
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See Accompanying Notes to Balance Sheet

WILLIS INVESTMENT MANAGEMENT COMPANY
BALANCE SHEET
DECEMBER 31, 2011

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts payable	\$ 4,907
Payroll taxes withheld and accrued	769
Deferred income	119,668
Pension expense payable	4,475
Dividends payable	<u>\$ 2,031</u>
 Total Liabilities	 <u>131,850</u>

STOCKHOLDERS' EQUITY

Capital stock - authorized 15,000 shares	
Issued and outstanding 12,503 shares	12,503
Additional paid in capital	142,497
Retained earnings	<u>(157,399)</u>
 Total Stockholders' Equity	 <u>(2,399)</u>

**TOTAL LIABILITIES AND
STOCKHOLDERS' EQUITY**

\$ 129,451

See Accompanying Notes to Balance Sheet

WILLIS INVESTMENT MANAGEMENT COMPANY

NOTES TO BALANCE SHEET

SIGNIFICANT ACCOUNTING POLICIES

Willis Investment Management Company (the Company) is a registered investment advisory firm for both individuals and institutions. Founded in 1985, the company is a subchapter S corporation operating in Charlottesville, Virginia.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the

Basis of Accounting

The balance sheet of Willis Investment Management Company has been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Property and Equipment

Property and equipment are stated at cost and include expenditures, which improve and extend the useful lives of the assets. Maintenance and repairs are expensed when incurred. Depreciation is computed using the straight-line method and is charged to expense over the estimated useful lives of the assets, ranging in years from five to thirty nine years. Upon retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss if any is included in income.

Bad Debts

The Company accounts for bad debts using the direct write-off method. Under this method, accounts receivable are charged off directly to bad debts when deemed uncollectible.

Income Taxes

The Company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Accordingly, the Company will generally not be liable for income taxes inasmuch as the net income or loss is reportable pro-rata on the personal income tax returns of each of the shareholders.

Concentration of Credit Risk

The company maintains cash balances in one financial institution. The balances are fully insured by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2011, the organization had no uninsured cash balances.

Compensated Absences

Compensated absences have not been accrued since they cannot be reasonably estimated. The Company's policy is to recognize these costs when actually paid.

Cash Equivalents

The Company considers all liquid investments with original maturities of three months or less to be cash equivalents.

WILLIS INVESTMENT MANAGEMENT COMPANY

NOTES TO BALANCE SHEET

LEASE COMMITMENTS

The Company is leasing office space on a month to month basis from James H. Willis, a related party. Rent expense amounted to \$36,000 for the year ended December 31, 2011.

RELATED PARTY TRANSACTIONS

The Company has made various loans to James H. Willis, an officer and director, with a current outstanding balance of \$38,746 at December 31, 2011. It bears interest at the applicable federal rate which was .40% for 2011.

DEFERRED INCOME

Deferred income consists of management fees either invoiced in advance or received in advance of earning the fees. Fees are invoiced annually at the beginning of the period in which they will be earned. If the invoiced amounts cover a period that extends beyond year-end, the invoiced amount is not recorded as income until earned.

PENSION PLAN

The Company adopted a Safe Harbor 401k Plan Trust effective January 1, 2001 that covers all employees. Contributions to the plan are discretionary. Contributions were made for the year ended December 31, 2011 of \$6,065.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of all balance sheet items approximates their carrying amount and are all level 1.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 22, 2012, which is the date on which the balance sheet was available to be issued and found nothing to report.