

SAMPLE SALES COMPANY

**SAMPLE SALES COMPANY
Financial Statements
September 30, 2009**

SAMPLE SALES COMPANY
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Board of Directors
Sample Sales Company
Any City, Any State

We have compiled the accompanying balance sheet of Sample Sales Company (a Delaware corporation) as of September 30, 2009, and the related statements of operations, retained earnings and cash flows for the year then ended, and the accompanying supplemental schedules which are presented only for supplementary analysis purposes, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements and supplementary schedules information that is the representation of management. We have not audited or reviewed the accompanying financial statements and supplemental schedules and, accordingly, do not express an opinion or any other form of assurance on them.

Respectfully submitted,

SMITH & JONES, PLLC
Certified Public Accountants

SAMPLE SALES COMPANY
Balance Sheet
September 30, 2009

ASSETS

Current Assets:

Cash and cash equivalents	\$	235,843
Accounts receivable - net of allowance		168,456
Inventory		407,771
Prepaid expenses		37,618
Refundable state tax		8,105
<i>Total Current Assets</i>		857,793

Fixed Assets:

Equipment	\$	22,683
Computer equipment		27,693
Furniture and fixtures		65,730
Vehicles		122,000
Leasehold improvements		30,000
		268,106
Less: Accumulated depreciation		(84,809) 183,297

Other Assets:

Deferred taxes		229
Total Assets		\$ 1,041,319

LIABILITIES

Current Liabilities:

Accounts payable	\$	199,570
Current portion of long-term debt		4,201
Accrued profit sharing		56,000
Accrued expenses		43,588
Deferred revenue		125,860
<i>Total Current Liabilities</i>		429,219

Long-term Liabilities:

Note payable (net of current portion)		13,323
Shareholder loan		115,000
Total Liabilities		557,542

SHAREHOLDER'S EQUITY

Common Stock	\$	1,000
Paid-in-Capital		30,000
Retained Earnings		452,777
Total Equity		483,777
Total Liabilities and Equity		\$ 1,041,319

SAMPLE SALES COMPANY
Statement Of Changes in Retained Earnings
For the Six Months Ended September 30, 2009

Balance at beginning of period	\$ 295,935
Net income (loss) for period	<u>156,842</u>
<i>Balance at End of Period</i>	<u>\$ 452,777</u>

SAMPLE SALES COMPANY
Statement Of Operations
For the Six Months Ended September 30, 2009

	Amount	Percent to Sales
Sales	\$ 3,123,010	100.0 %
Cost of sales	<u>1,888,359</u>	60.5
Gross Profit on Sales	1,234,651	39.5
 Selling, general, and administrative expense	 <u>1,074,664</u>	 34.4
Net Income (Loss) from Operations	159,987	5.1
 <i>Other Income (Expense):</i>		
Other income	8,930	
Gain (loss) on sale of assets	(180)	
Interest expense	<u>(11,895)</u>	
 Net Income	 <u>\$ 156,842</u>	

SAMPLE SALES COMPANY
Statement of Cash Flows
For the Six Months Ended September 30, 2009

Cash Flows From Operating Activities:

Net income (loss) \$ 156,842

Adjustments to reconcile net income (loss) to net cash provided by operating activities:

Depreciation \$ 15,757
Loss on sale of fixed asset 180

(Increase) decrease in assets:

Accounts receivable (4,259)
Inventory 13,935
Prepaid expenses (9,546)
Employee advances 200
Prepaid state tax (2,985)

Increase (decrease) in liabilities:

Accounts payable 135,735
Accrued profit sharing 7,500
Accrued expenses 17,725
Accrued payroll tax 1,325
Deferred state tax 200
Deferred revenue 5,675

Total Adjustments

Net Cash Provided By Operating Activities

122,688
279,530

Cash Flows From Investing Activities:

Purchase of fixed assets (59,225)
Net Cash Used In Investing Activities (59,225)

Cash Flows From Financing Activities:

Proceeds from line of credit 737,000
Proceeds from note payable 44,000
Principal payments on line of credit (798,000)
Principal payments on loan payable (4,083)
Net Cash Used In Financing Activities (21,083)

Net Increase in Cash

199,222

Cash at April 1, 2009

36,621

Cash at September, 30 2009

\$ 235,843

Supplemental Disclosures of Cash Flow Information:

Cash paid during the period for:

Interest \$ 5,875
Taxes 5,325

SAMPLE SALES COMPANY
Notes to Financial Statements
For the Six Months Ended September 30, 2009

NOTE 1: ENTITY DESCRIPTION, SUMMARY OF ACCOUNTING POLICIES AND OTHER MATTERS

Description of operations: The Entity is a corporation organized under the laws of Delaware. The Company sells widgets primarily to consumers and dealers located throughout the United States.

Cash and cash equivalents: Cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired are considered to be cash and cash equivalents. Available-for-sale marketable securities are not treated as cash equivalents.

Inventory: Inventory is accounted for at cost using the first-first-out method.

Fixed assets/depreciation: Fixed assets are recorded at historical cost and depreciated using the following methods:

<u>Asset Type</u>	<u>Method</u>	<u>Life</u>
Equipment	Straight line	5 yrs
Buildings	Straight line	40 yrs
Furniture and fixtures	Straight line	7-10 yrs
Vehicles	Straight line	4 yrs

Depreciation expense for the period was \$15,757.

Use of estimates: Preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that effect financial presentations and the carrying value of certain assets and liabilities. Actual results could differ from these estimates.

Accounts receivable: Accounts receivable are recorded when products and services are delivered or completed, and title to all goods has transferred to customers. All amounts outstanding for a period of more than thirty days are considered to be past due. Management periodically records an amount equal to what is estimated to be uncollectible in the allowance for doubtful accounts. As of each financial statement date all outstanding amounts are reviewed and any amounts that are uncollectible are written off against this allowance, and management determines the adequacy of the resulting allowance as of the balance sheet date. Accounts receivable appear on the balance sheet net of an allowance of \$ 7,500.

Shipping and handling cost: Shipping and handling cost are treated as cost of sales. Total shipping and handling cost for the period amounted to \$192,164.

Sales and related taxes collected for taxing authorities: Sales and related taxes collected from customers for various taxing authorities are excluded from sales when collected.

Warranty cost and returns: There are, on occasion, cost incurred for the return or replacement of items sold and services rendered. This has historically been insignificant and an allowance for estimated returns and warranty cost is not reflected in these statements.

Subsequent events closing date: Management has assessed the need for any required subsequent event or action disclosures through October 25, 2009, the date the statements were first available for issuance.

Common stock: \$1 par value, 100,000 shares authorized, 1,000 shares issued and outstanding.

SAMPLE SALES COMPANY
Notes to Financial Statements
For the Six Months Ended September 30, 2009

NOTE 2: NOTES AND OTHER OBLIGATIONS

As of the balance sheet date the following notes and loans were outstanding:

<u>Description</u>	<u>Repayment Terms</u>	<u>Interest Rate</u>	<u>Collateral</u>	<u>Carrying Value</u>	<u>Current Portion</u>	<u>Long-term Portion</u>	<u>Total Balance</u>
Note payable-Auto Fin Co.	\$450 per mo.	6.0%	Vehicle	\$15,500	\$4,201	\$13,323	\$17,524
Note payable-stockholder	Due 12/31/12	4.0%	None	N/A		115,000	115,000

Required principal on long-term obligations:

<u>Year</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Total</u>
Principal due	\$2,456	\$4,575	\$5,575	\$4,918	\$17,524

Interest expense for the period was \$11,895 .

NOTE 3: RELATED PARTY TRANSACTIONS AND BALANCES

The Company leases its operating facilities from Real Property LLC , on a month-to-month basis, for \$6,000 per month. The shareholders of Sample Sales Company are also members of Real Property LLC. Rent expense for the year amounted to \$72,000.

NOTE 4: CONCENTRATIONS

Banking: As of the balance sheet date the Company had bank deposits in excess of FDIC limits.

Accounts receivable: 25% of accounts receivable are due from two customers.

Sales: 28% of sales for the period were generated from two customers, and a majority of the sales are from customers in the home furnishing industry located in the United States.

NOTE 5: INCOME TAXES

The Entity is treated as a Subchapter S Corporation under the Internal Revenue Code. Therefore, there is no entity level Federal Income Tax expense.

Various tax returns filed by the Entity remain subject to possible examination by taxing authorities and remain subject to possible adjustment for a period of three years.

NOTE 6: PROFIT SHARING AND DEFERRED COMPENSATION

The Company has adopted a defined contribution profit sharing and deferred compensation plan. The plan covers all employees with at least one year of service. The Company's contributions and matching obligations to the plan are determined by the Board of Directors and amounted to \$48,575 for the period.

SUPPLEMENTAL INFORMATION

SAMPLE SALES COMPANY
Schedule of Sales
For the Six Months Ended September 30, 2009

	Amount	Percent to Sales
Product A	\$ 1,071,782	34.3 %
Product B	1,749,726	56.0
Product C	(569)	--
Services	157,081	5.0
Other	<u>144,990</u>	4.6
Total Sales	<u>\$ 3,123,010</u>	100.0

SAMPLE SALES COMPANY
Schedule of Cost of Sales
For the Six Months Ended September 30, 2009

	Amount	Percent to Sales
Direct Cost		
Product A	\$ 578,711	18.5 %
Product B	765,119	24.5
Product C	834	--
Other	28,499	0.9
Inventory adjustment	(19,033)	(0.6)
Service labor and supplies	95,079	3.0
Direct labor	29,033	0.9
Shipping and handling	192,164	6.2
Freight on purchases	43,520	1.4
Shipping and packaging	40,703	1.3
Display materials	5,591	0.2
Promotional credits	24,200	0.8
Total Direct Cost	1,784,420	57.1
 Indirect Cost		
Repairs and maintenance - machinery	152	--
Utilities	9,098	0.3
Warehouse wages	94,689	3.0
Total Indirect Cost	103,939	3.3
Total Cost of Sales	\$ 1,888,359	60.5

SAMPLE SALES COMPANY
Schedule of Selling, General and Administrative Expenses
For the Six Months Ended September 30, 2009

	Amount	Percent to Sales
Wages - officers	\$ 127,211	4.1 %
Other wages and commissions	175,570	5.6
Outside commissions	8,697	0.3
Insurance	7,081	0.2
Profit sharing and benefits	20,775	0.7
Rent	27,000	0.9
Payroll taxes	43,804	1.4
Alarm system	765	--
Postage	202,385	6.5
Advertising, catalogs, and trade shows	253,671	8.1
Depreciation	15,757	0.5
Bank and credit card charges	48,284	1.5
Office expense	12,581	0.4
Dues and subscriptions	2,480	0.1
Repairs and maintenance	24,425	0.8
Supplies	9,702	0.3
Utilities	546	--
Taxes-other	2,020	0.1
Travel and seminars	13,799	0.4
Vehicle lease	11,465	0.4
Contributions	700	--
Legal and accounting	10,250	0.3
Consulting	24,000	0.8
Computer fees	8,059	0.3
Meals and entertainment	1,111	--
Telephone and Internet	12,177	0.4
Uniforms	1,471	--
Bad debt expense	85	--
Professional services-HR	1,456	--
Miscellaneous expense	95	--
Licenses and permits	7,242	0.2
Total Selling, General and Administrative	\$ 1,074,664	34.4

SAMPLE SALES COMPANY
Schedule of Operations
For the Three Months Ended September 30, 2009

	Amount	Percent to Sales
Sales	\$ 2,426,076	100.0 %
Cost of sales	<u>1,464,275</u>	60.4
Gross Profit on Sales	961,801	39.6
 Selling, general, and administrative expense	 <u>676,834</u>	 27.9
Net Income (Loss) from Operations	284,967	11.7
 <i>Other Income (Expense):</i>		
Other income	5,138	
Interest expense	<u>(9,961)</u>	
 Net Income	 <u>\$ 280,144</u>	

SAMPLE SALES COMPANY
Schedule of Sales
For the Three Months Ended September 30, 2009

	Amount	Percent to Sales
Product A	\$ 853,604	35.2 %
Product B	1,322,371	54.5
Product C	(506)	--
Services	146,893	6.1
Other	<u>103,714</u>	4.3
Total Sales	<u>\$ 2,426,076</u>	100.0

SAMPLE SALES COMPANY
Schedule of Cost of Sales
For the Three Months Ended September 30, 2009

	Amount	Percent to Sales
Direct Cost		
Product A	\$ 480,423	19.8 %
Product B	583,865	24.1
Product C	(948)	--
Other	22,691	0.9
Inventory adjustment	(16,802)	(0.7)
Service labor and supplies	73,555	3.0
Direct labor	24,059	1.0
Shipping and handling	151,181	6.2
Freight on purchases	32,661	1.3
Shipping and packaging	22,495	0.9
Display materials	1,411	0.1
Promotional credits	24,160	1.0
Total Direct Cost	1,398,751	57.7
Indirect Cost		
Utilities	3,320	0.1
Warehouse wages	62,204	2.6
Total Indirect Cost	65,524	2.7
Total Cost of Sales	\$ 1,464,275	60.4

SAMPLE SALES COMPANY
Schedule of Selling, General and Administrative Expenses
For the Three Months Ended September 30, 2009

	Amount	Percent to Sales
Wages - officers	\$ 108,749	4.5 %
Other wages and commissions	93,742	3.9
Outside commissions	8,697	0.4
Insurance	3,186	0.1
Profit sharing and benefits	11,274	0.5
Rent	13,500	0.6
Payroll taxes	23,268	1.0
Alarm system	508	--
Postage	137,690	5.7
Advertising, catalogs, and trade shows	147,228	6.1
Depreciation	8,150	0.3
Bank and credit card charges	44,021	1.8
Office expense	7,371	0.3
Dues and subscriptions	2,445	0.1
Repairs and maintenance	16,825	0.7
Supplies	5,477	0.2
Utilities	316	--
Taxes-other	1,320	0.1
Travel and seminars	4,169	0.2
Vehicle lease	6,519	0.3
Contributions	500	--
Legal and accounting	3,243	0.1
Consulting	12,000	0.5
Computer fees	3,532	0.1
Meals and entertainment	642	--
Telephone and Internet	6,996	0.3
Uniforms	1,062	--
Miscellaneous expense	52	--
Licenses and permits	4,352	0.2
	676,834	
Total Selling, General and Administrative	\$ 676,834	27.9