

THE BERRETT-KOEHLER GROUP, INC.
AND ITS WHOLLY-OWNED SUBSIDIARY
CONSOLIDATED BALANCE SHEET
September 30, 2020
UNAUDITED AND NOT IN COMPLIANCE WITH GAAP

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 269,733
Accounts receivable - net of \$74,000 allowance for doubtful accounts	1,914,491
Inventories	2,826,112
Prepublication costs of producing inventories, current	810,711
Other current assets	125,069
Total current assets	<u>5,946,116</u>

NON-CURRENT ASSETS

Furniture, equipment and leasehold improvements - net	74,177
Prepublication costs of producing inventories - net	405,477
Deferred tax assets	513,936
Deposits and other assets	358,221
Total non-current assets	<u>1,351,811</u>
Total Assets	<u>\$ 7,297,927</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Outstanding checks - not yet cleared	\$ 740,000
Accounts payable	513,976
Accrued liabilities	470,459
PPP Loan - net of accrued forgiveness (see note below)	10,000
Note payable	100,000
Bank line of credit	766,955
Reserve for returns	165,000
Royalties payable	785,350
Deferred revenue	55,082
Preferred stock dividends payable	28,248
Total current liabilities	<u>3,635,070</u>

OTHER LIABILITIES

Royalties payable	119,989
Deferred rent	449,518
Bonds payable	60,000
Total other liabilities	<u>629,507</u>
Total liabilities	<u>4,264,577</u>

STOCKHOLDERS' EQUITY

Convertible preferred stock, Series A	229,900
Convertible preferred stock, Series B	1,072,950
Convertible preferred stock, Series C	1,156,414
Common stock	657,676
Retained earnings (Accumulated deficit)	(83,590)
Total stockholders' equity	<u>3,033,350</u>
Total liabilities and stockholders' equity	<u>\$ 7,297,927</u>

The Company was granted a PPP loan of \$691,882. Management believes that forgiveness of \$681,882 of the loan is probable and such forgiveness has been accrued as other income on the Consolidated Statement of Operations and as a reduction of the loan liability on the Consolidated Balance Sheet.

This Consolidated Balance Sheet and the associated Consolidated Statement of Operations have not been audited and are not fully in compliance with Generally Accepted Accounting Principles (GAAP). The statements exclude the effects of income taxes and other customary year-end adjustments, and they are not accompanied by Statements of Cash Flows and Stockholders' Equity, and Notes to Financial Statements, which are all required by GAAP.

THE BERRETT-KOEHLER GROUP, INC.
AND ITS WHOLLY-OWNED SUBSIDIARY
CONSOLIDATED STATEMENT OF OPERATIONS
For the Nine Months Ended September 30, 2020
UNAUDITED AND NOT IN COMPLIANCE WITH GAAP

REVENUES

Print	\$ 4,304,476
Audio	315,755
Digital	1,339,359
Subsidiary rights	534,480
Online training	304,669
Total revenues	<u>6,798,739</u>

COSTS OF SALES

Direct cost of goods sold	1,311,707
Amortization of prepublication costs of producing inventories	522,000
Royalties	1,171,957
Other	125,824
Total costs of sales	<u>3,131,488</u>

Gross profit	<u>3,667,251</u>
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OPERATING EXPENSES

Finance & operations	1,866,851
Marketing	1,115,170
Distribution	553,799
International sales and business development	207,577
Editorial	133,969
Production	217,895
Depreciation	49,582
Total operating expenses	<u>4,144,843</u>

(Loss) income from operations	(477,592)
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OTHER INCOME (EXPENSES)

Interest income (expense)	(56,143)
Other income - accrued PPP forgiveness (see note below)	681,882
Other income (expense)	10,000

Income (loss) before provision for income taxes	<u>\$ 158,147</u>
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