

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

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 577,962
Accounts receivable - net of \$74,000 allowance for doubtful accounts	1,287,655
Inventories	3,072,773
Prepublication costs of producing inventories, current	696,000
Other current assets	351,990
Total current assets	<u>5,986,380</u>

NON-CURRENT ASSETS

Furniture, equipment and leasehold improvements - net	90,487
Prepublication costs of producing inventories - net	502,187
Deferred tax assets	499,700
Deposits and other assets	389,339
Total non-current assets	<u>1,481,714</u>
Total Assets	<u>\$ 7,468,093</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Outstanding checks - not yet cleared	\$ 329,794
Accounts payable	455,148
Accrued liabilities	474,138
PPP Loan - net of accrued forgiveness (see note below)	10,000
Note payable	100,000
Bank line of credit	1,703,521
Reserve for returns	165,000
Royalties payable	804,633
Deferred revenue	60,000
Preferred stock dividends payable	57,744
Total current liabilities	<u>4,159,977</u>

OTHER LIABILITIES

Royalties payable	123,384
Deferred rent	418,189
Bonds payable	60,000
Total other liabilities	<u>601,573</u>
Total liabilities	<u>4,761,550</u>

STOCKHOLDERS' EQUITY

Convertible preferred stock, Series A	229,900
Convertible preferred stock, Series B	1,072,950
Convertible preferred stock, Series C	932,114
Common stock	657,676
Retained earnings (Accumulated deficit)	(186,097)
Total stockholders' equity	<u>2,706,543</u>
Total liabilities and stockholders' equity	<u>\$ 7,468,093</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 Six Months Ended June 30, 2020
UNAUDITED AND NOT IN COMPLIANCE WITH GAAP

REVENUES

Print	\$ 2,472,316
Audio	197,598
Digital	781,093
Subsidiary rights	349,879
Other revenues	<u>139,442</u>
Total revenues	<u>3,940,327</u>

COSTS OF SALES

Direct cost of goods sold	695,239
Amortization of prepublication costs of producing inventories	348,000
Royalties	722,789
Other	<u>17,218</u>
Total costs of sales	<u>1,783,246</u>

Gross profit	<u>2,157,082</u>
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OPERATING EXPENSES

Finance & operations	1,258,641
Marketing	819,869
Distribution	335,369
International sales and business development	153,559
Editorial	90,527
Production	88,004
Depreciation and amortization	<u>33,037</u>
Total operating expenses	<u>2,779,005</u>

(Loss) income from operations	(621,924)
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OTHER INCOME (EXPENSES)

Interest income (expense)	(40,936)
Other income - accrued PPP forgiveness (see note below)	681,882
Other income (expense)	10,000

Income (loss) before provision for income taxes	<u>\$ 29,022</u>
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