

**IMPRESO, INC. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

**ASSETS**

	August 31, 2016	August 31, 2015	August 31, 2014
Current assets:			
Trade accounts receivable, net of allowance for doubtful accounts of \$249,138 as of August 31, 2016, \$444,404 as of August 31, 2015, and \$569,855 as of August 31, 2014	\$ 7,773,878	\$ 6,864,808	\$ 7,024,732
Inventories, net of allowances	13,759,737	14,150,824	14,531,013
Prepaid expenses and other	548,827	789,374	549,840
Deferred income tax assets	292,865	376,320	426,471
Total current assets	<u>22,375,307</u>	<u>22,181,326</u>	<u>22,532,056</u>
Property, plant, and equipment, at cost	18,374,443	19,085,338	19,676,963
Less accumulated depreciation	<u>(14,106,753)</u>	<u>(14,468,203)</u>	<u>(14,657,062)</u>
Net property, plant, and equipment	<u>4,267,690</u>	<u>4,617,135</u>	<u>5,019,901</u>
Noncurrent assets:			
Other assets	84,821	59,821	59,049
Total assets	<u>\$ 26,727,818</u>	<u>\$ 26,858,282</u>	<u>\$ 27,611,006</u>

The accompanying notes are an integral part of the consolidated financial statements.

**IMPRESO, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS (CONTINUED)**  
**LIABILITIES AND STOCKHOLDERS' EQUITY**

	August 31, <u>2016</u>	August 31, <u>2015</u>	August 31, <u>2014</u>
<b>Current liabilities:</b>			
Checks issued in excess of funds held on deposit	\$ 1,080,774	\$ 1,108,124	\$ 597,986
Accounts payable	2,059,027	4,222,923	3,437,797
Accrued liabilities	792,185	1,039,545	2,788,293
Accrued commissions	2,033,753	1,385,257	1,347,679
Current maturities of long-term debt	<u>127,463</u>	<u>190,445</u>	<u>183,097</u>
Total current liabilities	6,093,202	7,946,294	8,354,852
<b>Long-term liabilities:</b>			
Long-term debt, net of current maturities	212,334	576,783	722,660
Line of credit	5,273,583	3,322,313	3,943,969
Deferred tax liability	<u>495,362</u>	<u>475,334</u>	<u>353,592</u>
Total liabilities	<u>12,074,481</u>	<u>12,320,724</u>	<u>13,375,073</u>
<b>Stockholders' equity:</b>			
Preferred stock, \$.01 par value; 5,000,000 shares authorized; 0 shares issued and outstanding	-	-	-
Common stock, \$.01 par value; 15,000,000 shares authorized; 5,292,780 issued; 4,021,263 outstanding as of August 31, 2016, 2015, and 2014	52,928	52,928	52,928
Additional paid-in capital	6,353,656	6,353,656	6,353,656
Retained earnings	<u>9,606,038</u>	<u>9,490,259</u>	<u>9,188,634</u>
Stockholders' equity	16,012,622	15,896,843	15,595,218
Treasury stock (1,271,517 shares as of August 31, 2016, 2015, and 2014, at cost)	<u>(1,359,285)</u>	<u>(1,359,285)</u>	<u>(1,359,285)</u>
Total stockholders' equity	<u>14,653,337</u>	<u>14,537,558</u>	<u>14,235,933</u>
Total liabilities and stockholders' equity	<u>\$ 26,727,818</u>	<u>\$ 26,858,282</u>	<u>\$ 27,611,006</u>

The accompanying notes are an integral part of the consolidated financial statements.

**IMPRESO, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	Years Ended August 31,		
	2016	2015	2014
Net sales	\$ 89,028,876	\$ 87,680,319	\$ 83,378,367
Cost of sales	<u>81,228,416</u>	<u>79,317,166</u>	<u>75,454,193</u>
Gross profit	7,800,460	8,363,153	7,924,174
Loss on disposal of assets	67,332	54,968	66,612
Selling, general and administrative expense	<u>7,256,054</u>	<u>7,606,507</u>	<u>7,206,704</u>
Operating income	<u>477,074</u>	<u>701,678</u>	<u>650,858</u>
Other expense:			
Interest expense	227,123	176,500	259,909
Litigation settlement	-	-	625,000
Other expense, net	<u>30,689</u>	<u>22,480</u>	<u>4,374</u>
Total other expense, net	<u>257,812</u>	<u>198,980</u>	<u>889,283</u>
Income (loss) before income tax expense	<u>219,262</u>	<u>502,698</u>	<u>(238,425)</u>
Income tax expense (benefit):			
Current	0	29,180	55,838
Deferred	<u>103,483</u>	<u>171,893</u>	<u>(150,882)</u>
Total income tax expense (benefit)	<u>103,483</u>	<u>201,073</u>	<u>(95,044)</u>
Net income (loss)	<u>\$ 115,779</u>	<u>\$ 301,625</u>	<u>\$ (143,381)</u>

The accompanying notes are an integral part of the consolidated financial statements.

**IMPRESO, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Years Ended August 31,		
	2016	2015	2014
Net income (loss)	\$ 115,779	\$ 301,625	\$ (143,381)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities-			
Depreciation and amortization	556,576	549,849	526,596
Bad debt (recovery) expense	(195,266)	(125,451)	(20,662)
Loss on disposal of property, plant and equipment	67,332	54,968	201,070
Gain on involuntary conversion of plant and equipment	-	-	(134,458)
Gain on non-cash addition of property, plant and equipment	-	-	(62,376)
Deferred income tax expense (benefit)	103,483	171,893	(150,882)
(Increase) decrease in trade accounts receivable	(713,804)	285,373	(338,189)
Decrease (increase) inventories	391,087	380,189	(1,221,245)
Decrease (increase) in prepaid expenses and other	240,547	(239,533)	(116,613)
Increase in noncurrent assets	(25,000)	(135,229)	(15,300)
(Decrease) increase in accounts payable	(2,163,896)	785,126	266,422
Increase (decrease) in accrued liabilities	401,136	(1,711,170)	830,937
Net cash (used in) provided by operating activities	(1,222,026)	317,640	(378,081)
Cash Flows From Investing Activities			
Additions to property, plant and equipment	(309,463)	(259,482)	(729,579)
Insurance proceeds from involuntary conversion of plant and equipment	-	134,458	-
Proceeds from sale of property, plant and equipment	35,000	57,431	29,225
Net cash used in investing activities	(274,463)	(67,593)	(700,354)
Cash Flows From Financing Activities			
Checks issued in excess of funds on deposit	(27,350)	510,138	(973,282)
Borrowings on line of credit	102,958,994	97,041,808	92,109,620
Payments on line of credit	(101,007,724)	(97,663,464)	(90,368,739)
Borrowings on debt	94,853	46,093	472,289
Payments on debt	(522,284)	(184,622)	(161,453)
Net cash provided by (used in) financing activities	1,496,489	(250,047)	1,078,435
Net change in cash	-	-	-
Cash, beginning of year	-	-	-
Cash, end of year	\$ -	\$ -	\$ -

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