

Mack's Cellars
Income Statements
For the Years Ended December 31, 2017 and 2016

	2017	% of Rev	2016	% of Rev	% Change
REVENUE:					
Wine sales	\$ 3,530,474		\$ 2,902,368		21.6%
Cost of wine sold	1,428,972	40.5%	1,445,014	49.79%	-1.1%
Gross Profit	2,101,502		1,457,354		44.2%
OPERATING EXPENSES:					
Selling and marketing	1,619,008	45.9%	1,361,102	46.90%	18.9%
General and administrative	264,076	7.5%	338,116	11.65%	-21.9%
Operating Expenses	1,883,084		1,699,219		10.8%
					0
Operating Income (Loss)	218,418		(241,865)		-190.3%
INTEREST AND OTHER:					
					0
Interest income (expense)	4,500	0.1%	(3,702)	-0.13%	-221.6%
Other income and expenses	552,034	15.6%	202,376	6.97%	172.8%
Income Before Taxes	774,952		(43,191)		-1894.3%
INCOME TAXES					
	11,106	0.3%	9,872	0.34%	12.5%
Net Income (Loss)	\$ 763,846		(\$ 53,063)		-1539.5%

Percent of Sales-	2017	2016
Gross Profit	60%	50%
Selling and Marketing	46%	47%
General and Administrative	7%	12%
Operating Expenses	53%	59%
Operating Income	6%	-8%
Net Income	22%	-2%

Mack's Cellars
Balance Sheet
For the Years Ended December 31, 2017 and 2016

	<i>2017</i>	<i>2016</i>	<i>Net change</i>
ASSETS			
CURRENT ASSETS:			
Cash	\$ 678,700	\$ 1,403,058	(\$ 724,358)
Accounts receivable	267,778	143,144	124,634
Wine inventory	3,540,346	3,221,974	318,372
Current Assets	<u>4,486,824</u>	<u>4,768,176</u>	(281,352)
PROPERTY AND EQUIPMENT	10,454,448	10,704,950	(250,502)
Accumulated depreciation	(2,719,736)	(3,307,120)	587,384
Property and Equipment, net	<u>7,734,712</u>	<u>7,397,830</u>	336,882
OTHER ASSETS	12,340	12,340	0
Assets	<u>\$12,233,876</u>	<u>\$12,178,346</u>	\$ 55,530
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Accounts payable and accruals	\$ 96,252	\$ 394,880	(\$ 298,628)
Credit line	104,890	521,982	(417,092)
Current Liabilities	<u>201,142</u>	<u>916,862</u>	(715,720)
LONG-TERM DEBT	11,354,034	11,346,630	7,404
Liabilities	11,555,176	12,263,492	(708,316)
STOCKHOLDERS' EQUITY	678,700	(85,146)	763,846
Liabilities and Equity	<u>\$12,233,876</u>	<u>\$12,178,346</u>	\$ 55,530

Ratios:

Return on Net Assets	<i>6.26%</i>	<i>-0.44%</i>
Current Ratio	<i>22.31</i>	<i>5.20</i>
Debt to Equity	<i>16.88</i>	<i>(139.39)</i>

Mack's Cellars
Statement of Cash Flows

For the Year Ended December 31, 2017

	<u>2017</u>
Net Income (Loss)	\$ 763,846
Add back-Depreciation	307,266
Decrease (increase)	
Wine inventory	(318,372)
Accounts receivable	(124,634)
Increase (decrease)	
Accounts payable, accruals	(298,628)
Operating Cash Flow	<u>329,478</u>
Investing Cash Flow	
Property and Equipment (Increase) Decrease	<u>(644,148)</u>
Net Cash from Investing	<u>(644,148)</u>
Financing Cash Flow	
Long Term Debt	7,404
Credit Line Increase (Decrease)	<u>(417,092)</u>
Net Cash from Financing	<u>(409,688)</u>
Net change in Cash	<u>(724,358)</u>
Beginning Cash Balance	1,403,058
Ending Cash Balance	<u>\$ 678,700</u>

Lesley's Winery, Inc.

Income Statements

For the Years Ended December 31, 2017 and 2016

	2017	% of Rev	2016	% of Rev	% Change
Revenue					
Net Revenues	\$ 10,924,273		\$ 10,349,361		5.56%
Cost of Sales	6,499,438	59.50%	5,685,332	54.93%	14.32%
Gross Profit	<u>4,424,835</u>		<u>4,664,028</u>		-5.13%
Operating Expenses					
Selling and marketing	2,498,753	22.87%	2,356,813	22.77%	6.02%
General and administrative expenses	559,144	5.12%	543,404	5.25%	2.90%
Operating Expenses	<u>3,057,897</u>		<u>2,900,217</u>		5.44%
Operating Income	1,366,938		1,763,811		-22.50%
Interest and Other					
Interest Expense	(653,895)	-5.99%	(577,032)	-5.58%	13.32%
Interest Income	217,757	1.99%	195,093	1.89%	11.62%
Other income(expense), net	25,097	0.23%	21,237	0.21%	18.18%
Income Before Taxes	955,896		1,403,109		-31.87%
Income Taxes	<u>(18,612)</u>	-0.17%	<u>(21,880)</u>	-0.21%	-14.94%
Net Income	<u>\$ 937,284</u>		<u>\$ 1,381,229</u>		-32.14%

Percent of Sales:	2017	2016
Gross Profit	40.5%	45.1%
Selling and Marketing	22.9%	22.8%
General and Administrative	5.1%	5.3%
Operating Expenses	28.0%	28.0%
Operating Income	12.5%	17.0%
Net Income	8.6%	13.3%

Lesley's Winery, Inc.
Balance Sheet
December 31, 2017 and 2016

Assets	2017	2016	Net change
Current Assets			
Cash	\$ 21,692	\$ 56,296	\$ (34,604)
Accounts receivable, net	599,306	1,103,810	(504,505)
Inventory	10,488,400	9,816,468	671,932
Other current assets	361,279	334,641	26,638
Current Assets	<u>11,470,676</u>	<u>11,311,215</u>	<u>159,461</u>
Property and Equipment	10,766,878	9,887,869	879,009
Accumulated depreciation	(5,921,455)	(5,542,759)	(378,696)
	<u>4,845,423</u>	<u>4,345,110</u>	<u>500,313</u>
Other Assets	2,525,042	2,474,153	50,889
Total Assets	<u><u>\$ 18,841,141</u></u>	<u><u>\$ 18,130,478</u></u>	<u><u>\$ 710,663</u></u>
Current Liabilities			
Accounts payable	\$ 629,024	\$ 638,252	\$ (9,228)
Grape purchases payable	340,870	419,001	(78,130)
Deferred revenues	126,153	164,190	(38,037)
Line of credit	4,238,701	4,102,768	135,933
Current maturities of long term debt	847,804	693,262	154,542
Current Liabilities	<u>6,182,553</u>	<u>6,017,473</u>	<u>165,080</u>
Long Term Debt	3,762,854	3,444,522	318,332
Total Liabilities	<u>9,945,407</u>	<u>9,461,995</u>	<u>483,412</u>
Stockholder's Equity			
Common Stock	1,472,447	1,472,447	-
Paid In Capital	2,508,914	2,508,914	-
Retained Earnings	4,914,373	4,687,122	227,251
Total Stockholders' Equity	<u>8,895,734</u>	<u>8,668,483</u>	<u>227,251</u>
Liabilities and Stockholders' Equity	<u><u>\$ 18,841,141</u></u>	<u><u>\$ 18,130,478</u></u>	<u><u>\$ 710,663</u></u>

Ratios:	2017	2016
Return on Net Assets	5.07%	7.62%
Current Ratio	1.86	1.88
Debt to Equity	0.99	0.95

Lesley's Winery, Inc.
Statement of Cash Flow
For the Year Ended December 31, 2017

	2017
Operating Cash Flow	
Net Income	\$ 937,284
Non-cash items	
Depreciation	681,030
Amortization	4,181
Decrease (increase) in	
Accounts receivable	504,505
Inventory	(671,932)
Other current assets	(26,638)
Other assets	(55,068)
Increase (decrease) in	
Accounts payable and accruals	(9,227)
Grape purchases payable	(78,130)
Deferred revenues	(38,037)
Operating Cash Flow	<u>1,247,968</u>
Investing Cash Flow	
Additions to property, plant and equipment	<u>(1,181,346)</u>
Investing Cash Flow	<u>(1,181,346)</u>
Financing Cash Flow	
Cash dividends paid	(710,033)
Credit line proceeds, net	135,933
Long-term debt proceeds	1,168,588
Long-term debt repayments	(695,713)
Financing Cash Flow	<u>(101,226)</u>
Cash Increase (Decrease)	(34,604)
Beginning of Year	56,296
End of Year	<u>\$ 21,692</u>