CSRS, INC.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019

P&N
Postlethwaite & Netterville

CSRS, INC.

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C O N T E N T S

	Page
INDEPENDENT AUDITORS' REPORT	1 - 2
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Balance Sheets	3
Consolidated Statements of Income	4
Consolidated Statements of Changes in Stockholders' Equity (Deficit)	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7 - 15

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A Professional Accounting Corporation

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
and Stockholders of
CSRS, Inc.
Baton Rouge, Louisiana

We have audited the accompanying consolidated financial statements of CSRS, Inc. and Subsidiaries (the Company) which comprise the consolidated balance sheets as of December 31, 2019 and 2018 and the related consolidated statements of income, changes in stockholders' equity (deficit), and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of CSRS, Inc. and Subsidiaries, as of December 31, 2019 and 2018, and the results of their consolidated operations and their consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Baton Rouge, Louisiana
June 11, 2020

CSRS, INC.
BATON ROUGE, LOUISIANA
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018

		2019		2018
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$	9,627	$	484,633
Accounts receivable, net		3,746,820		4,594,473
Unbilled work-in-process		1,559,880		1,704,341
Prepaid expenses		5,534		7,679
Total current assets		5,321,861		6,791,126
INVESTMENTS IN JOINT VENTURES		1,146,981		2,002,639
PROPERTY AND EQUIPMENT		3,035,644		3,028,164
Less: accumulated depreciation		(2,732,084)		(2,615,339)
Total property and equipment, net		303,560		412,825
TOTAL ASSETS	$	6,772,402	$	9,206,590
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)				
CURRENT LIABILITIES				
Checks in excess of bank balances	$	29,880	$	-
Line of credit		975,000		1,800,000
Current portion of notes payable		532,368		806,533
Accounts payable and accrued expenses		1,755,344		1,765,736
Total current liabilities		3,292,592		4,372,269
LONG-TERM LIABILITIES				
Notes payable, less current portion		4,121,083		4,012,449
Deferred income tax liability		102,500		102,500
Total liabilities		7,516,175		8,487,218
STOCKHOLDERS' EQUITY (DEFICIT)				
Common stock		81,107		81,107
Additional paid-in capital		23,055		23,055
Retained earnings/members' equity		742,559		2,267,600
Notes receivable on stock		(1,590,494)		(1,652,390)
Total stockholders' equity (deficit)		(743,773)		719,372
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$	6,772,402	$	9,206,590

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

CSRS, INC.
BATON ROUGE, LOUISIANA
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
REVENUES		
Professional fees and expenses	$ 23,867,879	$ 29,843,998
PROJECT EXPENSES		
Project payroll and consultant expenses	11,148,923	13,509,063
GROSS PROFIT	12,718,956	16,334,935
GENERAL AND ADMINISTRATIVE EXPENSES		
Advertising and promotion expenses	20,381	41,645
Auto expense	78,490	75,552
Bad debt expense	1,421,609	(2,264)
Business development	607,628	434,561
Depreciation and amortization	193,947	205,741
Employee benefits	826,288	811,948
Insurance	938,502	967,024
Interest expense/(income)	190,295	80,860
Miscellaneous expense	11,493	65,143
Office supplies and expense	765,385	796,904
Professional fees	330,894	522,270
Professional licenses	150,489	136,093
Pursuit	69,712	61,578
Rent - buildings and equipment	576,800	504,710
Repairs and maintenance	20,508	71,022
Salaries, wages, and bonuses	6,111,362	6,576,036
Stockholder bonuses	-	598,990
Taxes - payroll	877,467	1,043,265
Taxes - other	21,443	7,961
Telephone and utilities	138,490	157,228
Training	30,654	32,724
Travel and entertainment	184,424	198,214
Total general and administrative expenses	13,566,261	13,387,205
NET INCOME (LOSS)	$ (847,305)	$ 2,947,730

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

CSRS, INC.
BATON ROUGE, LOUISIANA
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
YEARS ENDED DECEMBER 31, 2019 AND 2018

	Common Stock	Additional Paid-in Capital	Retained Earnings / Members' Equity (Deficit)	Notes Receivable for Stock	Total
Balance at January 1, 2018	$ 81,107	$ 23,055	$ (44,211)	$ (1,877,196)	$ (1,817,245)
Net income	-	-	2,947,730	-	2,947,730
Purchase of stock	-	-	(1,321,025)	-	(1,321,025)
Sale of stock	-	-	685,106	-	685,106
Notes receivable for stock sale	-	-	-	(548,084)	(548,084)
Notes receivable collected	-	-	-	772,890	772,890
Balance at December 31, 2018	81,107	23,055	2,267,600	(1,652,390)	719,372
Net loss	-	-	(847,305)	-	(847,305)
Purchase of stock	-	-	(677,736)	-	(677,736)
Notes receivable collected	-	-	-	61,896	61,896
Balance at December 31, 2019	$ 81,107	$ 23,055	$ 742,559	$ (1,590,494)	$ (743,773)

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

CSRS, INC.
BATON ROUGE, LOUISIANA
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ (847,305)	$ 2,947,730
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Bad debt (recovery) expense	1,421,609	(2,264)
Depreciation and amortization	193,947	205,741
Changes in operating assets and liabilities:		
Accounts receivable	(573,956)	783,458
Unbilled work in progress	144,461	(927,608)
Prepaid and other assets	2,145	(5,961)
Accounts payable and accrued expenses	(10,392)	156,270
Tax reorganization expenses	-	(5,980,000)
Net cash provided by (used in) operating activities	330,509	(2,822,634)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(53,921)	(65,650)
Change in investments in joint ventures, net	824,897	(353,650)
Net cash provided by (used in) investing activities	770,976	(419,300)
CASH FLOWS FROM FINANCING ACTIVITIES		
Checks in excess of bank balances	29,880	-
Draws (repayments) on line of credit, net	(825,000)	400,000
Borrowings under notes payable	65,228	-
Repayments of payable notes	(26,229)	(6,305)
Advances from stockholders, net	-	3,184,922
Cash paid for purchase of stock/units and notes payable	(882,266)	(2,185,121)
Cash received for sale of stock/units	61,896	1,924,610
Net cash (used in) provided by financing activities	(1,576,491)	3,318,106
CHANGE IN CASH AND CASH EQUIVALENTS	(475,006)	76,172
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	484,633	408,461
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 9,627	$ 484,633
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	$ 190,296	$ 153,556

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

1. Summary of Significant Accounting Policies

a) Reporting Entities and Principles of Combination

The consolidated financial statements as of and for the year ended December 31, 2019, include the accounts of CSRS, Inc. and its 100% owned subsidiary CSRS Disaster Recovery Management, LLC (collectively referred to as "the Company"). Louisiana Water Resources Services, LLC was a 100% owned subsidiary of CSRS, Inc. that was merged into CSRS, Inc. in 2019.

b) Nature of Operations

CSRS, Inc. provides architecture, engineering, land development services, and program management services to a local, regional, and national client base. CSRS Disaster Recovery Management, LLC provides consulting involving obtaining and managing federally funded programs involving natural disasters. Louisiana Water Resources Services, LLC provides wetland consulting services including wetland delineations.

The Company's headquarters are in Baton Rouge, Louisiana with additional locations in New Orleans and Lake Charles, Louisiana, and Dallas, Texas. The Company does business primarily in Louisiana. The Company is authorized to do business in a number of other states.

c) Cash and Cash Equivalents

The Company considers all cash in banks and on hand to be classified as cash and cash equivalents for cash flow purposes.

d) Accounts Receivable and Revenue Recognition

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)* and has issued subsequent amendments to this guidance. This ASU is a comprehensive new revenue recognition model that provides a five-step process to recognize revenue that requires judgment and estimates, including (1) identifying the contract with the customer, (2) identifying the performance obligations in the contract, (3) determining the transaction price, (4) allocating the transaction price to the performance obligations in the contract, and (5) recognizing revenue as the performance obligation is satisfied. The Company adopted this standard effective January 1, 2019, with no significant impact to the Company's consolidated financial position or results of operations, using the modified retrospective approach.

The Company regularly enters into contracts with customers to provide professional services on a fixed fee for services, hourly rate basis, as well as a cost-reimbursement basis. Revenues are generally recognized when the services are provided. As fixed fee projects progress, estimates of anticipated revenues earned are included in revenues based on an estimate of time incurred and total hours estimated for the project. Certain cost-reimbursement contracts may be subject to review or audit which may result in adjustments to billed revenues. Reimbursable costs, including subcontractor costs, are included in professional fee revenues and project expenses as incurred.

1. Summary of Significant Accounting Policies (continued)

d) Accounts Receivable and Revenue Recognition (continued)

Professional service fees consist of professional engineering and design services provided to governmental, commercial and industrial clients. Rates for these services vary depending on the type of services provided and can be based on a fix fee for services, hourly rates, as well as a cost-reimbursement basis. Professional service fees are recognized when performance obligations are satisfied, in an amount that reflects the consideration the Company expects to be entitled to in exchange for services rendered. Specifically, if the Company has the right to consideration from a customer in an amount that corresponds directly with the value of the Company's performance obligation completed to date (in which the Company bills a fixed amount for each hour of service provided), the Company recognizes revenue in the amount to which it has a right to invoice services performed. The Company believes that the use of this "as invoiced" practical expedient is an accurate reflection for the performance obligation completed.

For fixed fee projects, estimates of anticipated revenues earned are included in revenues based on an estimate of time incurred and total hours estimated to complete the contract. For cost-reimbursement contracts may be subject to review or audit which may result in adjustments to billed revenues. Reimbursable costs, including subcontractor costs, are included in professional fees revenues and project expenses as incurred. The Company records all revenues net of any applicable sales tax.

Costs associated with service revenues are recognized when the related revenues are recognized. The Company includes in project expenses all direct costs of providing professional services which includes direct salary costs and project consultants and subcontractors.

Billed contract receivables (accounts receivable) represent amounts billed to customers in accordance with the contracted terms but not collected as of the end of the year. Unbilled contract receivables (unbilled work-in-progress) represent amounts billable to customers in accordance with contract terms that have not been billed as of year-end, but are expected to be billed and collected within one year from the balance sheet date. Unbilled work-in-progress is reduced for billings to, and payments received from, customers in excess of revenue earned.

The Company provides credit in the normal course of business and generally does not require collateral with the extension of credit. The Company maintains an allowance for bad debts based on management's assessment of collections, current economic conditions, and prior experience. The Company ages its accounts receivable using the invoice date. The Company determines if receivables are past-due based on the contractual terms of the service provided; however, the Company does not charge interest on past-due accounts. The Company charges off receivables if management considers the collection of the account balance to be doubtful. During 2019, management determined that revenues associated with one contract which were billed in 2018 and 2019 were deemed to be uncollectible. After evaluation of the circumstances associated with this contract, management recognized a bad debt of approximately $1.34 million associated with revenues billed for this contract during 2019. At December 31, 2019 and 2018, the Company recorded an allowance for doubtful accounts of $120,384.

1. Summary of Significant Accounting Policies (continued)

e) Property and Equipment

Property and equipment are recorded in the accounts of the Company at cost. Additions and improvements are capitalized. Ordinary maintenance and repair expenses are charged to income as incurred. The cost of property sold or otherwise disposed of and the accumulated depreciation thereon are eliminated from the property and related accumulated depreciation accounts, and any gain or loss is credited or charged to income. Depreciable lives generally range from 3 to 7 years for most equipment.

f) Compensated Absences

The Company allows employees to rollover up to forty hours of unused paid time off into the new benefit year. On a case-by-case basis, that amount can be increased with supervisor approval. The Company's policy is to recognize those costs when they are actually paid.

g) Income Taxes

CSRS, Inc. and its stockholders elected to be recognized as an S-Corporation for federal and state income tax purposes effective January 1, 2018. Subsequent to December 31, 2017, the tax consequences of CSRS, Inc.'s operations are to be recognized by the stockholders. Accordingly, no provision for income taxes is included in these consolidated financial statements after this election.

Subsequent to S-Corporation election, CSRS, Inc. continues to be subject to "built-in" gains tax for the excess of the fair value over tax reporting bases of assets at the date of S-Corporation election. If such assets are sold within five years of the S-Corporation election, this built-in gain is recognized and federal corporate taxes are due. If CSRS Inc. becomes subject to such taxes in the future, or if there are adjustments to taxes reported for periods prior to the S-Corporation election, such taxes will be reported as income tax expense or benefit during the period such information becomes known and estimable.

Disaster Recovery Management, LLC is considered a disregarded entity and included with CSRS, Inc. for income tax purposes.

The Company does not believe that it has any material uncertain tax positions. The statute of limitations for the examination of the Company's federal income tax returns is generally three years from the due date of the tax return including extensions.

h) Advertising

The Company follows the policy of expensing advertising costs when incurred.

i) Concentration of Credit Risk

The Company maintains accounts at a financial institution, which at times are in excess of federally insured limits. Management believes the risk of loss is minimal.

1. Summary of Significant Accounting Policies (continued)

i) Concentration of Credit Risk (continued)

The Company regularly enters into governmental type contracts for which the ultimate settlement of receivables often requires extended periods of time due to required compliance and administrative procedures. These contracts include funding from federal, state, and local funding sources.

j) Reclassification

Certain amounts in the 2018 consolidated financial statements have been reclassified to conform to the 2019 presentation.

k) Use of Estimates in Preparing Consolidated Financial Statements

The preparation of these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

The most significant estimates susceptible to change are those used in accounting for contract revenues and costs, allowance for doubtful accounts, depreciation expense, and accrued liabilities. Although considerable variability is inherent in these estimates, management believes the estimates are reasonable and appropriate. These estimates are continually reviewed and adjusted as necessary. Such adjustments are reflected in current operations.

l) Accounting Pronouncements Issued But Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases*. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the balance sheet as well as additional disclosures. The updated guidance is effective for the Company for the year ending December 31, 2022. Management is currently assessing the impact of this pronouncement on the consolidated financial statements.

2. Property and Equipment

Property and equipment consisted of the following at December 31, 2019 and 2018:

	2019	2018
Computer equipment	$ 1,378,375	$ 1,367,064
Furniture and fixtures	765,608	776,918
Leasehold improvements	50,099	50,099
Software	329,224	329,224
Survey equipment	399,358	399,358
Vehicles	112,980	105,501
Total cost of property	3,035,644	3,028,164
Less: accumulated depreciation	(2,732,084)	(2,615,339)
Total property and equipment, net	$ 303,560	$ 412,825

The Company recognized depreciation expense of $163,186 and $164,726 during the years ended December 31, 2019 and 2018, respectively.

3. Line of Credit

At December 31, 2019 and 2018, CSRS, Inc. maintained a line of credit with a bank for up to $4,000,000 with $975,000 and $1,800,000, respectively, outstanding. Availability under the line of credit is based on eligible accounts receivable. The line of credit matures November 30, 2020, and is secured by a commercial security agreement, pledge of accounts receivable and guarantees of the stockholders. The line of credit bears variable interest rates, one month London InterBank Offered Rate (LIBOR) plus 3.020%. The interest rate was 4.77% and 5.39% at December 31, 2019 and 2018, respectively.

4. Notes Payable

In conjunction with the stockholder agreements and related repurchase transactions further described in Note 6, the Company has entered into notes payable with stockholders to repurchase ownership interest in the Company. The following are the notes payable to current and former stockholders and other notes payable at December 31, 2019 and 2018:

	2019	2018
Notes payable and advances to current and former stockholders:		
Note dated July 1, 2014 due in 20 quarterly payments of $62,418 including interest at 1.81%, with final payment due in April 2019	$ -	$ 123,995
Note dated July 1, 2014 due in 20 quarterly payments of $21,509 including interest at 3.25%, with final payment due in April 2019	-	42,500
Note dated July 1, 2015 due in 20 quarterly payments of $24,380 including interest at 3.25%, with final payment due in April 2020	48,172	142,209
Note dated July 1, 2016 due in 20 quarterly payments of $22,394 including interest at 1.42%, with final payment due in April 2021	132,710	219,629
Note dated July 1, 2016 due in 20 quarterly payments of $23,496 including interest at 3.50%, with final payment due in April 2021	136,758	224,039
Note dated July 1, 2018 due in 20 quarterly payments of $33,130 including interest at 4.75%, with final payment due in April 2023	425,001	534,077
Note dated August 17, 2018 due in 8 quarterly payments of $28,877 including interest at 2.4%, with final payment due in March 2021	56,518	168,978
Note dated September 30, 2018 due in 5 quarterly payments of $39,956 including interest at 2.48%, with final payment due in December 2019	-	157,377

4. Notes Payable (continued)

		2019		2018
Notes payable and advances to current and former stockholders (continued):				
Note dated July 1, 2019 due in 20 quarterly payments of $38,462 including interest at 5.50%, with final payment due in April 2024	$	609,603	$	-
Advances from stockholders beginning in January 1, 2018 with an interest rate at variable rate which was 1.94% at December 2019 and 2018.		3,184,919		3,184,919
Equipment Financing:				
Note payable due in 48 monthly installments of $697, including interest at 2.39% and secured by vehicle due in December 2019		-		7,542
Note payable due in 47 monthly installments of $1,338, including interest at 4.40% and secured by equipment due in October 2019		-		13,717
Note payable due in 60 monthly installments of $808, including interest as 5.49% and secured by equipment due in May 2024.		37,379		-
Note payable due in 60 monthly installments of $445, including interest as 5.99% and secured by equipment due in November 2024.		22,391		-
Total notes payable		4,653,451		4,818,982
Less current maturities		(532,368)		(806,533)
Total long-term notes payable	$	4,121,083	$	4,012,449

Included above are advances from stockholders which were originally made in January 2018. The original amount of advances was $5.98 million and the stockholders were repaid $2.79 million during 2018. No payments were made on the advancements in 2019. The advances are unsecured and have no specific repayment terms but are to be determined by the Board and stockholders. The advances have been classified as non-current as repayments are not expected during 2020.

4. Notes Payable (continued)

Aggregate scheduled maturities of notes (other than advances payable) outstanding at December 31, 2019 are as follows:

Years Ending December 31,	
2020	$ 532,368
2021	353,196
2022	276,078
2023	223,973
2024	82,917
Total	$ 1,468,532

5. Income Taxes

As further described in the accounting for income tax accounting policy in Note 1, the CSRS, Inc. elected to be taxed as a S-Corporation beginning January 1, 2018. With the conversion to an S-corporation, management does not expect the deferred income tax liability to become due related to built-in gains tax and has classified the balance as a non-current liability. When the Company's exposure to potential built-in gain tax prescribes after five years, any remaining deferred tax liability will be reversed. The deferred tax liability as of December 31, 2019 and 2018 was $102,500.

6. Stock and Stockholder Agreements

CSRS, Inc. has 1,200 shares of no par value common stock authorized and 665.04 and 715.61 shares issued and outstanding at December 31, 2019 and 2018, respectively.

CSRS, Inc. and its stockholders, who are also employees, have an agreement that sets a definite provision for the orderly disposition of stock owned by the respective parties and imposing certain restrictions on the transfer and other disposition of stock. The stockholder agreement also provides for a method of valuing the stock for such transfers based in large part on the book value and current earnings of CSRS, Inc. The purchase price pursuant to the agreement shall be payable by CSRS, Inc. to the current/former stockholder in a promissory note of up to 20 quarterly installments (See Note 4). The Company is committed to enter into similar agreements with other stockholders upon attaining certain ages or separation from the Company.

CSRS, Inc. also entered into transactions during 2012 through 2019 to sell shares to other stockholders in accordance with the terms of the stock restriction agreement. Pursuant to these agreements, stock was purchased by stockholders pursuant to a note to be paid to the Company. As of December 31, 2019, there were notes receivable to be paid to the Company in twenty quarterly installments with interest rates ranging from 1.42% to 5.50%. The notes are secured by the shares issued pursuant to the stock purchase transaction. The balance owed under these notes receivable to the Company was $1,590,494 and $1,652,390 at December 31, 2019 and 2018, respectively, and are recorded as a contra-equity account.

7. Joint Ventures

The Company enters certain contracts jointly with other parties to obtain and perform contracts in a joint venture form. These joint ventures usually do not have employees and generally have services provided by the Company and its joint venture partners. The joint ventures own contracts and have cash and accounts receivables as well as amounts due primarily to the joint venture partners for services provided. Services provided by the Company to the joint venture are included in professional services revenues based on agreed upon billing rates billed to the joint venture. The Company also recognizes its share of profits from the joint ventures' activities as revenues using the equity method, which is based on earnings of the joint venture and included in revenues as earned. The joint ventures make distributions to the joint venture partners on a regular basis. The Company's investment in joint ventures represents the Company's share of undistributed profits of the joint ventures.

The Company's investment in joint ventures at December 31, 2019 and 2018, consisted of three active joint venture arrangements. The Company owns a 50% interest in two joint ventures and 75% in one joint venture. The Company paid $241,388 to acquire an additional ownership interest in one of the joint ventures which is included as a part of the investment account balance and is being amortized over six years. The Company recognized $30,761 and $41,015 of amortization expense during the years ended December 31, 2019 and 2018, respectively.

8. Employee Benefit and Incentive Plans

The Company sponsors a 401(k) plan which allows employees to elect to contribute a portion of their pretax earnings into retirement funds held in trust by an administrator. The Company has elected to provide a match on employee contributions. For the years ended December 31, 2019 and 2018, the Company contributed $250,774 and $262,173, respectively, to the plan.

9. Commitments and Contingencies

Operating Leases – Lessee

The Company enters into operating leases for vehicles and office facilities. Certain leases have a short duration to meet specific needs while other lease agreements are longer term. The future minimum payments under operating leases extending beyond one year are as follows:

Years Ending December 31:		
2020	$	137,668
2021		107,586
2022		60,363
2023		61,657
2024		20,696
Total	$	387,970

9. **Commitments and Contingencies** (continued)

The Company also leases office space from an entity in which one of the stockholders of CSRS, Inc. have an ownership interest. The lease arrangement is an informal agreement between the parties with no stated contractual payment terms. However, it is the intention of the CSRS, Inc. owners and management to continue to make lease payments for an extended period sufficient to meet the operating costs of the related lessor. The total amounts incurred by the Company for such lease expenses during the years ended December 31, 2019 and 2018 were $451,877 and $411,991, respectively.

Rent expense charged to operations for the years ended December 31, 2019 and 2018 for all operating leases was $564,786 and $504,710, respectively.

Litigation Matters

The Company becomes involved, either as plaintiff or defendant, in lawsuits and claims arising out of the normal conduct of business. In the opinion of management, the consolidated financial position of the Company will not be materially affected by the final outcome of these legal proceedings.

10. **Subsequent Events**

Management has evaluated subsequent events through the date that the consolidated financial statements were available to be issued, June 11, 2020, and except as noted below, determined that no additional events have occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

In March, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic, which continues to spread throughout the United States. The COVID-19 pandemic has negatively impacted the global economy and created significant volatility and disruption of financial markets. The extent of the impact of the COVID-19 pandemic on the Company’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and the impact on customers, suppliers, vendors and employees, all of which are uncertain and cannot be predicted. The extent to which the COVID-19 pandemic may directly or indirectly impact the Company’s financial condition or results of operations cannot be reasonably estimated at this time.