

EXCELLENCE MUSIC, INC.
BALANCE SHEET
DECEMBER 31, 2008

ASSETS

CURRENT ASSETS

Cash	\$ 25,000
Accounts receivable	200,000
Rental contracts receivable	875,000
Inventory	<u>1,200,000</u>

TOTAL CURRENT ASSETS 2,300,000

FIXED ASSETS

Leasehold improvements	\$ 300,000	
Store equipment, furniture & displays	100,000	
Vehicles	<u>100,000</u>	
	500,000	
Less accumulated depreciation	<u>100,000</u>	<u>400,000</u>
		<u><u>\$ 2,700,000</u></u>

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts payable	\$ 1,500,000
Floor plan payable	300,000
Accrued taxes and expenses	75,000
Credit line payable	100,000
Current portion of long-term debt	<u>50,000</u>

TOTAL CURRENT LIABILITIES 2,025,000

LONG-TERM DEBT, less current portion 175,000

DUE TO STOCKHOLDERS 100,000

STOCKHOLDERS' EQUITY

Common stock	\$ 50,000	
Retained earnings	<u>350,000</u>	<u>400,000</u>
		<u><u>\$ 2,700,000</u></u>

EXCELLENCE MUSIC, INC.
STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>\$</u>	<u>%</u>
REVENUES		
Sales	\$ 1,000,000	54.1
Instrument rental income	750,000	40.5
Repair income	<u>100,000</u>	<u>5.4</u>
	1,850,000	100.0
 COST OF GOODS SOLD	 <u>800,000</u>	 <u>43.2</u>
GROSS PROFIT	<u>1,050,000</u>	<u>56.8</u>
 OPERATING EXPENSES		
Salaries - officers	30,000	1.6
Salaries - sales	200,000	10.8
Salaries - repair technicians	100,000	5.4
Salaries - administrative	75,000	4.1
Rent	240,000	13.0
Insurance	60,000	3.2
Advertising	50,000	2.7
Taxes - payroll and property	40,000	2.2
Bank and merchant credit card fees	30,000	1.6
Depreciation	25,000	1.4
Store supplies and repair parts	20,000	1.1
Auto and vehicle expense	20,000	1.1
Postage and shipping	15,000	0.8
Utilities	12,000	0.6
Telephone	10,000	0.5
Office expense	8,000	0.4
Repairs and maintenance	6,000	0.3
Professional fees	<u>4,000</u>	<u>0.2</u>
	945,000	51.1
INCOME FROM OPERATIONS	105,000	5.7
 OTHER EXPENSE		
Interest	<u>50,000</u>	<u>2.7</u>
INCOME BEFORE INCOME TAXES	55,000	3.0
 INCOME TAXES	<u>-</u>	<u>-</u>
NET INCOME	55,000	<u>3.0</u>
 BEGINNING RETAINED EARNINGS	<u>295,000</u>	
ENDING RETAINED EARNINGS	<u>\$ 350,000</u>	

BAD BOYS MUSIC, INC.
BALANCE SHEET
DECEMBER 31, 2008

ASSETS

CURRENT ASSETS

Cash	\$ 5,000	
Accounts receivable	20,000	
Rental contracts receivable	25,000	
Inventory	<u>300,000</u>	
TOTAL CURRENT ASSETS		350,000

FIXED ASSETS

Leasehold improvements	\$ 150,000	
Store equipment, furniture and displays	100,000	
Vehicles	<u>100,000</u>	
	350,000	
Less accumulated depreciation	<u>100,000</u>	250,000

RENTAL INSTRUMENTS

Band and orchestra rental instruments	1,000,000	
Less accumulated depreciation	<u>900,000</u>	<u>100,000</u>
		<u>\$ 700,000</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts payable	\$ 200,000	
Floor plan payable	50,000	
Accrued taxes and expenses	25,000	
Credit line payable	100,000	
Current portion of long-term debt	<u>50,000</u>	

TOTAL CURRENT LIABILITIES 425,000

LONG-TERM DEBT, less current maturities included above 100,000

DUE TO STOCKHOLDERS 100,000

STOCKHOLDERS' EQUITY

Common stock	\$ 50,000	
Accumulated deficit	<u>25,000</u>	<u>75,000</u>
		<u>\$ 700,000</u>

BAD BOYS MUSIC, INC.
STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>\$</u>	<u>%</u>
SALES	\$ 1,000,000	100.0
COST OF GOODS SOLD	<u>625,000</u>	<u>62.5</u>
GROSS PROFIT	375,000	37.5
OTHER OPERATING PROFIT		
Net instrument rental income		
(\$750,000 income, less \$350,000 of depreciation)	400,000	40.0
Net repair income		
(\$150,000, less \$135,000 of repair wages & parts)	<u>15,000</u>	<u>1.5</u>
TOTAL OPERATING PROFIT	<u>790,000</u>	<u>79.0</u>
OPERATING EXPENSES		
Salaries - officers	150,000	15.0
Salaries - sales	175,000	17.5
Salaries - administrative	75,000	7.5
Rent	100,000	10.0
Insurance	60,000	6.0
Advertising	50,000	5.0
Taxes - payroll and property	40,000	4.0
Bank and merchant credit card fees	30,000	3.0
Depreciation	25,000	2.5
Auto and vehicle expense	20,000	2.0
Professional fees	19,000	1.9
Postage and shipping	15,000	1.5
Utilities	12,000	1.2
Telephone	10,000	1.0
Store supplies	10,000	1.0
Office expense	8,000	0.8
Repairs and maintenance	<u>6,000</u>	<u>0.6</u>
	<u>805,000</u>	<u>80.5</u>
INCOME FROM OPERATIONS	(15,000)	(1.5)
OTHER EXPENSE		
Interest	<u>30,000</u>	<u>3.0</u>
LOSS BEFORE INCOME TAXES	(45,000)	(4.5)
INCOME TAXES	<u>-</u>	<u>-</u>
NET LOSS	(45,000)	<u>(4.5)</u>
RETAINED EARNINGS	<u>70,000</u>	
ENDING RETAINED EARNINGS	<u>\$ 25,000</u>	