

Comparison of Accrual and Cash Basis For the Year Ended December 31, 2003

Income Statement

Accrual Basis

	<u>Actual</u>	<u>%</u>
Fees Generated	30,272,000	
A/R Write offs	(422,000)	
Billing Write offs	(1,177,000)	
Reserves	<u>(373,000)</u>	
Net Revenue	28,300,000	100.00%
Payroll	12,877,000	45.50%
Personnel	2,630,000	9.29%
Facilities	1,977,000	6.99%
Operating	2,831,000	10.00%
Practice Develop	500,000	1.77%
Other	<u>167,000</u>	0.59%
Net Income/(Loss)	<u>7,318,000</u>	25.86%

Income Statement

Cash Basis

	<u>Actual</u>	<u>%</u>
Fee Cash Receipts	26,972,500	
n/a	0	
n/a	0	
n/a	<u>0</u>	
Total Revenue	26,972,500	100.00%
Payroll	12,620,000	46.79%
Personnel	2,600,000	9.64%
Facilities	1,813,000	6.72%
Operating	2,868,000	10.63%
Practice Develop	478,000	1.77%
Other	<u>167,700</u>	0.62%
Net Income/(Loss)	<u>6,425,800</u>	23.82%

Balance Sheet

Accrual Basis

ASSETS:

Cash	64,000
A/R - (billed time)	5,673,000
A/R - (billed costs)	496,000
WIP - (unbilled time)	3,448,000
WIP - (unbilled costs)	247,000
Reserves for Unbillables	(1,022,000)
Total Client Investment	8,842,000
Prepaid Expenses & Insurances	546,000
Total Current Assets	9,452,000
Fixed Assets - Gross	4,350,000
Accumulated Depreciation	(2,671,000)
Total Capital Assets	1,679,000
Deposits	100,000
Total Assets	<u>11,231,000</u>

Balance Sheet

Modified Cash Basis

ASSETS:

Cash	64,000
A/R - (billed time)	n/a
A/R - (billed costs)	262,000
WIP - (unbilled time)	n/a
WIP - (unbilled costs)	<u>231,000</u>
Total Client Investment	493,000
Prepaid Expenses & Insurances	100,000
Total Current Assets	657,000
Fixed Assets - Gross	4,350,000
Accumulated Depreciation	(2,671,000)
Total Capital Assets	1,679,000
Deposits	100,000
Total Assets	<u>2,436,000</u>

Accrual Basis

LIABILITIES:

Accounts Payable	231,000
Accrued Compensation	506,000
Accrued Profit Sharing	857,000
Payroll Taxes Withheld	35,000
Line of Credit	150,000
Short Term Debt	<u>460,000</u>

Total Current Liabilities 2,239,000

Long Term Debt 872,000

Total Liabilities 3,111,000

OWNERS' EQUITY

Equity Balance prior year	6,395,000
Current Year Net Income/(Loss)	7,318,000
Owner withdrawals	<u>(5,593,000)</u>

Total Owners' Equity 8,120,000

Total Liabilities and Owner's Equity 11,231,000

Cash Basis

LIABILITIES:

Accounts Payable	0
Accrued Compensation	0
Accrued Profit Sharing	857,000
Payroll Taxes Withheld	22,000
Line of Credit	150,000
Short Term Debt	<u>460,000</u>

Total Current Liabilities 1,489,000

Long Term Debt 872,000

Total Liabilities 2,361,000

OWNERS' EQUITY

Equity Balance prior year	(757,800)
Current Year Net Income/(Loss)	6,425,800
Owner withdrawals	<u>(5,593,000)</u>

Total Owners' Equity 75,000

Total Liabilities and Owner's Equity 2,436,000

Cashflow

Accrual Basis

Accrual Basis net income	7,318,000
Adjustments to reconcile net cash flows:	
Depreciation/Amortization	419,000
Change in Accounts Payable	210,000
Change in Client Investment	(1,508,000)
Other	236,000
Cash flow from Operations:	6,675,000
Cash flows from investing activities:	
Fixed Asset Purchases	(776,000)
Cash flows from financing activities:	
Bank Debt Proceeds/(Repayments)	(129,000)
Line of Credit Proceeds/(Repayments)	(250,000)
Net Change in cash before withdrawals	5,520,000
Member withdrawals	<u>5,526,000</u>
Increase/(Decrease) in cash	<u>(6,000)</u>
Beginning cash balance	<u>70,000</u>
Ending Cash Balance	<u>64,000</u>

Cashflow

Cash Basis

^{Cash} Accrual Basis net income	6,425,800
Adjustments to reconcile net cash flows:	
Depreciation/Amortization	419,000
Change in Accounts Payable	(53,000)
Change in Client Investment	(140,000)
Other	23,200
Cash flow from Operations:	6,675,000
Cash flows from investing activities:	
Fixed Asset Purchases	(776,000)
Cash flows from financing activities:	
Bank Debt Proceeds/(Repayments)	(129,000)
Line of Credit Proceeds/(Repayments)	(250,000)
Net Change in cash before withdrawals	5,520,000
Member withdrawals	<u>5,526,000</u>
Increase/(Decrease) in cash	<u>(6,000)</u>
Beginning cash balance	<u>70,000</u>
Ending Cash Balance	<u>64,000</u>