Concordis Group, Inc. and Subsidiary

Management and Financial Statements Notes

December 31, 2013 and December 31, 2014

MANAGEMENT NOTES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Company is engaged in the real estate development, construction and Investment of multifamily and senior housing communities in residential, medical and hospitality projects in commercial buildings primarily in the South and Western regions of the United States. The Company's construction work is performed under cost-plus-fee contracts, fixed-price contracts, and fixed-price contracts modified by incentive and penalty provisions. The Company or its wholly owned subsidiary undertakes these projects alone or in partnership with other developers through joint ventures.

Concordis Group Investment Fund targets the acquisition of value-added and opportunistic real estate investments and strategic acquisitions with cash flow for the benefit of institutional and high-net-worth investors. We are dedicated to building value for our investors by leveraging our unique experience, access to investment funds and managing capabilities to acquire assets, at the right price.

Our funds target investments based on situational attributes, including attractive purchase price, potential operating leverage benefits (re-positioning and/or redevelopment of under-performing assets), and most importantly, profit potential, as opposed to concentration in a particular sector or geographic region. Our target term of investment is three to five years.

Use of Estimates

The preparation of financial statements in conformity with the *Financial Reporting Framework for Small and Medium-Sized Entities* requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of Consolidation

The consolidated financial statements include the Company's majority-owned entity, a wholly owned corporate subsidiary (GC Blackstone). Income from GC Blackstone was $0.0 in 2013, $355,977.15 in 2014 and estimated to be $910,881.94 by year-end of 2015. The Company also has a non controlling interest in a joint venture (partnership).

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Company considers all highly (If any) liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Contracts Receivable

Contracts receivable from performing construction of residential and commercial buildings are based on contracted prices. The Company provides an allowance for doubtful collections, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Normal contracts receivable are due 30 days after the issuance of the invoice. Contract retentions are due 30 days after completion of the project and acceptance by the owner. Receivables past due more than 120 days are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

Inventory

Inventory consisting of building materials is stated at the lower of cost (first in, first out method) or net realizable value.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed primarily using the straight-line method over the estimated useful lives of the assets, which range from 5 to 39 years. Leasehold improvements are amortized over the shorter of the useful life of the related assets or the lease term. Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any related gain or loss is reflected in income for the period.

Revenue and Cost Recognition

Revenues from fixed price construction contracts are recognized on the percentage of completion method, measured on the basis of incurred costs to estimated total costs for each contract. This cost-to-cost method is used because management considers it to be the best available measure of progress on these contracts. Revenues from cost-plus fee contracts are recognized on the basis of costs incurred during the period plus the fee earned, measured by the cost-to-cost method.

The financial statements include some amounts that are based on management’s best estimates and judgments. The most significant estimates relate to costs to complete long-term contracts. These estimates may be adjusted as more current information becomes available, and any adjustment could be significant.

Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs, and depreciation costs. Selling, general, and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability, including those arising from contract penalty provisions, and final contract settlements may result in revisions to costs and income and are recognized in the period in which the revisions are determined. Profit incentives are included in revenues when their realization is reasonably assured. An amount equal to contract costs attributable to claims is included in revenues when realization is probable and the amount can be reliably estimated.

The asset, "costs and estimated earnings in excess of billings on uncompleted contracts," represents revenues recognized in excess of amounts billed. The liability, "billings in excess of costs and estimated earnings on uncompleted contracts," represents billings in excess of revenues recognized.

Income Taxes

For financial reporting purposes, the Company has elected to use the taxes payable method. Under that method, income tax expense represents the amount of income tax the Company expects to pay based on the Company's current year taxable income. Current year taxable income varies from income before current year tax expense primarily due to the use of the completed-contract method and the use of an accelerated depreciation method for tax reporting purposes.

Business tax credits are applied as a reduction to the provision for federal income taxes using the flow-through method.

Evaluation of Subsequent Events

The Company has evaluated subsequent events through December 31, 2015.