

Enviro-Serv, Inc.
Notes to the Financial Statements
Period ending 12/31/19

Business

Enviro-Serv, Inc. (the “Company”) is a Delaware Corporation seeking to build a portfolio of highly profitable enterprises that offer year-round services such as full-service pest control management with an emphasis on non-fumigation termite control and prevention. The company already has secured many local municipal pest control contracts but in July 2019 secured a relationship with Native American Pride Constructors LLC to aggressively pursue Federal government business in the areas of pest control, Land scape management and high-level environmental clean-up services.

Enviro-Serv other business operates in Wisconsin and in May 2019 commenced a full-blown Hemp operation beginning with seed germination and then onto the transplanting of over 12,000 hemp plants into 10 acres of farmland located in Beaver Dam Wis. The company has not generated material revenue on this hemp operation harvest at the time of this report. At the time of this report our hemp biomass sits in que at Mason Jar Organics a full processing facility located in Plymouth Wisconsin. The company spent about \$7500 monthly in cash in 2019 plus stock certain stock options for services rendered to operate the Hemp initiatives in Wisconsin throughout calendar 2019. The company does not expect revenues to be generated from the hemp harvest until late Q2 2020 or beginning of Q3 2020. The reasons for this delay in hemp monetization were delays in processing equipment coming in from China and severely delayed due to Covid 19 shipment holdup. The company will be making key decisions during this quarter regarding the processing of the hemp biomass for the usage of CBD oil vs. smokable flower and what percentage will be used towards both.

The principal methods of competition in the Company’s pest and termite control business are quality of service and guarantees, including service quality, product availability, terms of guarantees, and reputation for safety, technical proficiency and price.

The Company’s pest control business is subject to various legislative and regulatory enactments that are designed to protect the environment, public health and consumers. Compliance with these requirements has not had a material negative impact on the Company’s financial position, results of operations or liquidity.

The federal law grants to the states the responsibility to be the primary agent in the enforcement and conditions under which pest control companies operate. Each state must meet certain guidelines of the Environmental protection Agency in regulating the following: licensing, record keeping, contracts, standards of application, training and registration of products. Each state has their regulatory programs to handle the special interests of citizens within their state. The pest control industry is impacted by these federal and state agencies.

Risk Factors

The Company operates in a highly competitive industry. The Company's revenues and earnings may be affected by changes in competitors' prices, and general economic issues. The Company competes with other large and small pest control companies for a finite number of customers. Although the Company believes that their experience and reputation for safety and quality service is excellent, they cannot assure investors that we will be able to maintain our competitive advantage.

Pest and termite services represent discretionary expenditures of our residential customers. If consumers restrict their discretionary spending, the Company may suffer a decline in revenues. Covid 19 stay at home policy in Tampa Bay is currently affecting residential revenue and will be for the foreseeable future. Enviro-Serv has applied for and yet to receive PPP funding or small business loan assistance at this time.

Acquisitions have been and will continue to be an important element of the Company's business strategy. The Company cannot assure investors that future acquisition candidates will be identified and acquired on favorable terms to the Company. The Company cannot assure investors that the Company will be able to successfully integrate the operations and assets of acquired businesses with their own business. The inability to integrate and manage acquired businesses could have an adverse effect on the results of operations and financial condition of the Company.

The Company's ability to remain productive and profitable will depend on the ability to attract and retain skilled workers. Either the need to pay higher wages or the shortage of skilled employees could reduce the Company's capacity for growth or profitability could be reduced.

The Company is significantly affected by environmental laws and regulations within the pest control industry. Management believes that present operations are in substantial compliance with such laws and have had no material adverse effect on operations to date. Such laws could be changed and the Company is unable to predict if changes could affect operations and financial condition of the Company.

Accounting Policies

The accounting principles that compose the framework are appropriate for the presentation of small entity financial statements, based on the needs of the financial statement users and cost and benefit considerations.

Prior Period Adjustment

Prior to Enviro-Serv taking over the corporate structure of the business, there were numerous contingent liabilities relating to services performed for the previous management group. Current management had contested these liabilities. Management has settled all active filings against the Company. The Company has not been contacted about the remaining contingencies in over seven years. Management now believes that these remaining contingencies have a low probability of resulting in any costs to the Company. Because the probability of these liabilities resulting in a cost to the Company is unlikely, Management has elected to reverse these contingent liabilities

Use of Estimates

Preparation of financial statements 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 period. Actual amounts could differ from these estimates.

Accrual for Termite Contracts:

The Company has no accrual for the estimated costs for reapplications, repairs, labor and chemicals and other costs related to termite control applications. Services to date have been limited and management expects losses to be immaterial at this point.

Revenue Recognition:

The Company recognizes revenue at the time the service is performed and paid for.

Depreciation and amortization:

Assets are depreciated or amortized on the straight-line basis over the useful life of the asset.

Forward-Looking Statements

Management believes that environmental remediation costs estimated to be incurred are not material to the Company's financial condition or operating results; the Company has no litigation that will have an adverse effect on the Company's financial condition, results of operations or liquidity; the Company has adequate resources and borrowings to fund operations and obligations; the impact and amount of the Company's obligations; management's expectations regarding future claims; the expected collectability of billings; expected tax consequences; and the impact of future regulations and accounting pronouncements.