

Coastal Foods, Inc.
Balance Sheet
For Second Quarter Ending June 30, 2014

Unaudited

	Actual
ASSETS	
Current Assets	
Cash and cash equivalents	30,851.08
Accounts Receivable, net	1,539,837.63
Inventory	1,603,380.87
Due from Affiliates	-
Prepaid expenses and other current assets	421,589.02
Total Current Assets	3,595,658.60
Property, plant and equipment, net	2,311,805.19
Investment in Affiliates	-
Other long-term assets	76,512.00
Total Other Assets	2,388,317.19
TOTAL ASSETS	5,983,975.79
 LIABILITIES & EQUITY	
Current Liabilities	
Accounts Payable, trade	2,301,972.39
Due to Affiliates	-
Accrued liabilities	4,901,564.92
Current portion of debt	4,448,172.19
Current portion of long-term debt	419,000.00
Total Current Liabilities	12,070,719.61
Long term debt	13,515,632.04
Total Liabilities	25,586,341.54
 Equity	
Common Stock	650,252.30
Opening Balance Equity	-
Additional Paid in Capital	11,630,997.79
Retained Earnings	(31,611,902.09)
Net Income	(271,713.75)
Total Equity	(19,602,365.75)
TOTAL LIABILITIES & EQUITY	5,983,975.79

Coastal Foods, Inc.
Income Statement
For Second Quarter Ending June 30, 2014

Unaudited

	<u>Actual (MTD)</u>	<u>Actual (YTD)</u>
Income		
Sales	2,268,808.48	9,906,508.13
Sales Returns & Allowances	(3,726.00)	(13,198.21)
Sales Discounts	(22,226.64)	(124,115.89)
Total Income	<u>2,242,855.84</u>	<u>9,769,194.03</u>
Cost of Goods Sold		
Materials	1,212,612.78	5,309,084.04
Direct Labor	475,655.90	2,079,008.89
Contract Labor	-	5,525.36
Freight Out-Finished Goods	37,314.95	197,862.20
Total Cost Of Goods Sold	<u>1,725,583.63</u>	<u>7,591,480.49</u>
Gross Margin	517,272.21	2,177,713.54
Operating Expenses		
Indirect Labor	37,885.47	223,779.77
Indirect Expenses	88,636.89	455,781.68
R & M Factory	50,216.41	255,385.24
Total Operating Expenses	<u>176,738.77</u>	<u>934,946.69</u>
Operating Income (Loss)	340,533.44	1,242,766.85
G & A Expenses		
Admin Salaries & Wages	94,954.63	547,790.22
Admin Expenses	62,980.78	525,191.48
Total G & A Expense	<u>157,935.41</u>	<u>1,072,981.70</u>
Net Ordinary Income (EBITDA)	182,598.03	169,785.15
Proceeds from Sale of Assets	-	-
Depreciation Expense	35,198.53	210,674.61
Interest Expense	22,142.96	129,158.73
Taxes - Property	10,332.04	61,007.37
Settlement Expense	-	40,000.00
Other Income/Expense	-	658.19
Total	<u>67,673.53</u>	<u>441,498.90</u>
Net Income (Loss)	<u><u>114,924.50</u></u>	<u><u>(271,713.75)</u></u>

* Accrual Basis

The Company's financial instruments include cash, account receivables, other assets and accounts payable.

NOTE 1 - ASSETS

- The current value of all assets is recorded at the lower of cost or market value.
- The value of property, plant and equipment is recorded at cost net of depreciation. Depreciation is recorded using the straight line method of depreciation over all estimated lives of five to ten years.
- Monthly adjustments are made to value inventory at book value based on physical counts.
- The company grants credit to customers in the normal course of operation. Accounts receivables are recorded at the invoiced amount without regard to allowance for bad debts or discounts. Uncollectible accounts are expensed in the period they are determined to be uncollectible.
- Financial instruments which have an inherent credit risk include cash and accounts receivable. The company maintains its demand deposits in commercial banks with balances maintained within the applicable limits of federal deposit insurance.

NOTE 2 – EQUIPMENT

Property, plant and equipment consists of the following:

1. Furniture & Fixtures	\$ 22,831
2. Office Equipment	43,762
3. Machinery & Equipment	5,999,006
4. Leasehold Improvements	2,021,463
Less accumulated depreciation	<u>5,804,069</u>
	\$2,311,803

NOTE 3 – LIABILITIES

- Accounts payable-trade are recorded at the invoiced amount without regard to ageing. Certain trade liabilities are the subject of litigation in which sums in excess of those recorded are being sought from the Company. No opinion of counsel has been sought by the Company concerning the likelihood of an unsuccessful result of the litigation or the range of liability from such litigation in the event of an unsuccessful outcome.
- Interest is accrued at simple interest rates on several notes which may be converted in whole or in part to the Company's common stock at an undetermined future date.

NOTE 4 - NOTES PAYABLE

- Unsecured note with scheduled payments of \$ 25,000. The outstanding balance of the indebtedness is \$50,190. The loan was obtained from a private investor and the loan proceeds were used to acquire equipment. Scheduled payments on note will result in its payment in full as within 2014 financial year.

NOTE 5 – CAPITAL STOCK

- Capital stock consists of 20,000,000 shares of common stock authorized, 7,702,523 shares issued and outstanding. Shares previously reported as outstanding in the name of Michael Robertson have been retired to the treasury.

Coastal Foods, Inc.
Cash Flow Statement
For Quarter Ending June 30, 2014

Net Income \$ (271,714)

Cash Flow From Operating Activities:

Adjustments to reconcile net income (loss) to net cash

Depreciation	\$	210,675
Other Fees		-
Disposal of Asset		

Changes in Assets and Liabilities

Accounts Receivable		(515,719)
Accounts Payable		814,874
Inventory		(504,603)
Interest Payable		109,471
Total Other Assets		(25,991)
Total Other Liabilities		<u>361,428</u>
	\$	450,134

Cash Flow From Investing Activities:

Purchase of Property, Plant & Equipment

Deposits		(10,000)
Machinery & Equipment	\$	<u>(138,321)</u>
		(148,321)

Cash Flow From Financing Activities:

Net Borrowings	\$	<u>(31,000)</u>
		<u>(31,000)</u>

Beginning Cash & Equivalents 31,752

Ending Cash Equivalents \$ 30,851