

2. BUSINESS ACQUISITIONS *(continued)*

Property, Plant and Equipment

The property plant and equipment are estimated at net realizable value at the time of the acquisition based upon third party valuation specialist.

Intangible Assets

The estimated fair value of identifiable intangible assets is determined primarily using the Income Approach method which is a valuation technique that provides an estimate of the fair value of an asset based on the market participant's expectations of the cash flows that an asset would generate over its remaining useful life. Some of the more significant assumption inherent in the development of the identifiable intangible assets valuation, from the perspective of a market participant, include the estimate net cash flows for each year for each project or product, the appropriate discount rate to select in order to measure the risk inherent in each future cash flow stream, the assessment of each asset's life cycle, competitive trends impacting the asset and each cash flow stream as well as other factors.

Goodwill Allocation

Goodwill of \$44,096,980 arising from the acquisition consists of the difference between the consideration paid and the fair value of the assets and liabilities acquired. None of the goodwill recognized is expected to be deductible for income tax purposes.

Current Liabilities

Acquired current liabilities are amounts owed to vendors or accrued expenses.

Deferred Revenue

Deferred revenue is the amount of customers deposits at the time of the acquisition.

Income taxes

Income taxes are the estimated amount of state and federal taxes to settle certain tax positions prior to the acquisition.

Deferred Tax Liability

The deferred tax liability is stated at estimated tax liability due to the difference in the book basis of assets compared to the tax basis of those assets at the time of acquisition.

Acquisition Related Expenses

Included in general and administrative expenses in the consolidated statements of operations for the three and twelve month periods ended December 28, 2019 were \$765,000 and \$1,184,000, respectively, for acquisition expenses.

3. ACCOUNTING POLICIES

Fiscal Year

The Company's year ends on the Saturday nearest to December 31. Fiscal years, 2019 and 2018, were 52 weeks each.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. All intercompany accounts and transactions are eliminated.