

**BURKETT,  
BURKETT & BURKETT**

CERTIFIED PUBLIC ACCOUNTANTS, P.A.

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**INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF INDIRECT COSTS**

The Board of Directors  
**DENNIS CORPORATION**

We have audited the schedule of indirect costs of DENNIS CORPORATION (the Company) for the six months ended December 31, 2005. This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this schedule based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the financial audit standards contained in the Government Auditing Standards issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule of Indirect Costs. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying schedule was prepared on a basis of accounting practices prescribed by Part 31 of the Federal Acquisition Regulations and certain other federal and state regulations as discussed in Note 2, and is not intended to be a presentation in conformity with generally accepted accounting principles.

In our opinion, the schedule referred to above presents fairly, in all material respects, the direct labor, fringe benefits, and general overhead of the Company for the six months ended December 31, 2005 on the basis of accounting described in Note 2.

In accordance with the Government Auditing Standards we have issued a report dated April 12, 2006 on our consideration of the Company's internal controls and its compliance with laws and regulations.

This report is intended solely for the use and information of the Company and government agencies or other customers related to contracts employing the cost principles of the Federal Acquisition Regulations and should not be used for any other purpose.



**BURKETT, BURKETT & BURKETT**  
Certified Public Accountants, P.A.

West Columbia, South Carolina  
April 12, 2006

**DENNIS CORPORATION**  
**SCHEDULE OF INDIRECT COSTS**

**SIX MONTHS ENDING DECEMBER 31, 2005**

	FINANCIAL STATEMENT EXPENSE	UNALLOWABLE EXPENSE	FAR REFERENCE	TOTAL PROPOSED
Direct labor	\$ 32,049			\$ 32,049
Fringe benefits	\$ 10,099			\$ 10,099
General overhead:				
Indirect labor	\$ 29,858			\$ 29,858
Amortization	67			67
Auto expense	3,029			3,029
Depreciation	8,500			8,500
Dues and subscriptions	980			980
Entertainment	305	80	31.205-8	225
Equipment lease	2,427			2,427
Insurance	5,834			5,834
Interest	2,618	2,618	31.205-20	-
IT Support	1,660			1,660
Meals	406	295	31.205-46	111
Miscellaneous	1,039			1,039
Office expenses	1,605			1,605
Penalty	77	77	31.205-15	-
Printing and reproduction	537			537
Professional fees	1,004			1,004
Rent	8,352			8,352
Repairs and maintenance	52			52
Supplies	4,812			4,812
Survey expenses	5,222			5,222
Taxes and license	5,267			5,267
Telephone	2,340			2,340
Training	289			289
Total general overhead	\$ 86,280	\$ 3,070		\$ 83,210
Total Indirect Costs				\$ 93,309
Percent of Direct Labor				291.15%
Facilities Capital Cost of Money (FCCM) (Note 4)				\$ 2,817
Percent of Direct Labor				8.79%
Combined Rate				299.94%

DENNIS CORPORATION

NOTES TO THE SCHEDULE OF INDIRECT COSTS

DECEMBER 31, 2005

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**NOTE 1 - THE COMPANY**

DENNIS CORPORATION (the Company) is a professional engineering firm providing consultation in the areas of engineering and planning.

The Company was founded in July 2005. Revenues are derived from billings for professional services and reimbursable expenses. Revenues are recognized on these contracts as costs are incurred.

**NOTE 2 - BASIS OF ACCOUNTING AND DESCRIPTION OF ACCOUNTING SYSTEMS**

The Company's policy is to prepare its overhead schedules, which support the statement of direct labor, fringe benefits and general overhead, on the basis of accounting practices prescribed by Subparts 9900 and Part 31 of the Federal Acquisition Regulations (FAR). Accordingly, the above mentioned statement is not intended to present the results of operations of the Company in conformity with generally accepted accounting principles.

The Company maintains a job-order cost accounting system for the recording and accumulation of costs incurred under these contracts. Each project is assigned a job number so that costs may be segregated and accumulated in the company's job-order cost accounting system.

The Company's method of estimating costs for pricing purposes during the proposal process is consistent with the accumulation and reporting of costs under its job-order cost accounting system.

**NOTE 3 - FRINGE BENEFITS**

The fringe benefits are identified as follows:

	Total for Direct and Indirect Labor
Employee health insurance	8,621
Payroll taxes	1,478
Total	<u>\$ 10,099</u>

DENNIS CORPORATION

NOTES TO THE SCHEDULE OF INDIRECT COSTS

DECEMBER 31, 2005

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NOTE 4 – FACILITIES CAPITAL COST OF MONEY

The Company's audited facilities capital cost of money for the six months ended December 31, 2005 is 8.79%.

**DENNIS CORPORATION**  
**Facilities Capital Cost of Money**  
**For the Six months Ended December 31, 2005**

	<u>Balance</u> <u>07/01/05</u>	<u>Balance</u> <u>12/31/05</u>
Capital Assets	\$ -0-	\$ 125,152
Average Net Book Value	\$ 62,576	
Average US Treasury Rate	4.50 %	
Facilities Capital Cost (Average X Rate)	\$ 2,816	
Facilities Capital Cost of Money Factor (Cost/Direct Labor Base)	8.79 %	

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CERTIFIED PUBLIC ACCOUNTANTS, P.A.

## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROLS

The Board of Directors  
DENNIS CORPORATION

We have audited the schedule of indirect costs of DENNIS CORPORATION (the Company) for the six months ended December 31, 2005, and have issued our report thereon dated April 12, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the financial audit standards contained in the Government Auditing Standards issued by the Comptroller General of the United States.

### COMPLIANCE

As part of obtaining reasonable assurance about whether the Company's schedule is free from material misstatement, we performed tests of the Company's compliance with certain provisions of laws, regulations, contracts, including the provisions of the applicable sections of Part 31 of the Federal Acquisition Regulations, noncompliance with which could have a direct and material effect on the determination of the schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

### INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Company's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the schedule and not to provide assurance on the internal control over financial reporting.

The management of the Company is responsible for establishing and maintaining internal control over financial reporting. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control over financial reporting. The objectives of internal control over financial reporting are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with the Federal Acquisition Regulations Part 31. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate. For the purpose of this report, we have classified the significant internal controls over financial reporting in the following categories: cash disbursements and payroll.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected

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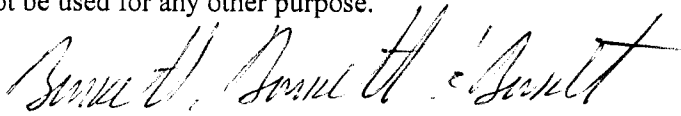
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within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the use and information of the Company and government agencies or other customers related to contracts employing the cost principles of the Federal Acquisition Regulations, and should not be used for any other purpose.



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Certified Public Accountants, P.A.

West Columbia, South Carolina  
April 12, 2006