

SUMMIT CORPORATION

Annual Report
2017-2018

2360 95th St
Naperville, IL 60564

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11 May 2018

Summit Corporation

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Naperville, IL

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To our shareholders,

Summit Corporation made significant strides in this past fiscal year to improve profitability and our competitive positioning. Consolidated sales for the year of \$1.3 million were a fantastic start for such a young company. Our initial net income was also high as a direct result of good operational practices, low overall expenses and our continued focus on reducing product costs, all of which had a resoundingly positive impact. We successfully navigated industry-wide, competitive pricing pressures, particularly in our Building Supply segment, to increase our sales volumes while driving down costs.

Our balance sheet remained strong, with cash on hand at approximately \$267,000, a current ratio of 1.02 and \$136,000 of debt as of April 30, 2018. Because of this, we are able to provide a comfortable starting point for next year's employees and ensure future success for Summit.

We end this current year in a strong financial position and with expectations for improved profitability as we continue to execute our strategic objectives, launch new products and optimize our balance sheet. All of our capital allocation decisions are made with an eye towards future growth potential and long-term value creation for our shareholders. We look forward to a successful future and communicating our accomplishments as we build on the Summit brand and continue to develop, manufacture and market innovative, high-value connectivity solutions to improve internet access for our customers all across the country. We sincerely thank you for your continued support.

Sincerely,

Alvaro Munoz

CEO, Summit Corporation

Financial Highlights

- Include and explain major statistics and figures such as: sales, net income, profit margin, company profitability
- Graphs of monthly sales, sales by product, sales by geography, sales to large customers

- Over \$1.3 million dollars in sales
- Over \$260,000 of net profit
- 68% profit margin
- We cut our operating costs by \$200,000

Board of Directors and Upper Management

Margaret Bender
Chief Marketing Officer

Beth Knuth
Facilitator

Rushil Kothare
Chief Financial Officer

Nicole Maimon
Chief Administrative Officer

Ritvik Manda
Chief Design Officer

Dr. Robert McBride, EdD
School Principal

Alvaro Munoz
Chief Executive Officer

Corporate Mission

Summit Corporation is a for-profit organization that seeks first and foremost to supply efficient and affordable technology to its consumers. Its technology includes, but is not limited to, StickTech-detachable, customizable WiFi stickers that double as portable chargers. Summit Corporation puts its customers first and strives to make the world more connected through StickTech. Summit Corporation is dedicated to honesty, transparency, and dependability.

Organization Chart

Management Philosophy

Summit Corporation is set up as a functional organization with three tiers. At the top is the Chief Executive Officer, who is in charge of all the day-to-day meetings. The second tier consists of the Chief Financial Officer, Chief Administrative Officer, Chief Design Officer, Chief Marketing Officer. The **CFO** oversees the operations of the Accounting and Finance department. **CAO** oversees the Human Resources and Administration departments. **CMO** oversees the operations of the Sales & Marketing departments. Chief Design Officer oversees the Design and IT department. The third tier consists of each department employees and their work environment.

The Human Resources Department recruits employees, manages training and compensation, and plans for future personnel needs. When a company has an open position, Human Resources will advertise, select from the applicants, and then fill the position. The Accounting & Finance department is responsible for managing the books of the company. This includes paying employees every month, managing accounts receivables/ payable and keeping all the financial records on track. The Sales and Marketing department is responsible for meeting the sales goals and advertise the company. They are encouraged to meet and contact with possible customers through different types of advertisement such as direct mail, email, VE website, advertising firms. Their main goal is to please consumers as well as advertise it as if they must have it. The Design & IT department is responsible for completing the website as well as the company logo which will be attached to name tag. They will work on design and layout to make sure consumers are attracted to the website to increase sales throughout the year.

When it comes to making decisions, the Chiefs make the ultimate decision. When it comes to a specific department, the chief, after discussing with the employees, makes the final decision. When it comes to company-wide decisions, all of the chiefs discuss. The chiefs consider employee's ideas and what is best for the company. The CEO has the final say in all decisions. The Chiefs pride themselves in making sure that communication between themselves and the employees is clear and concise.

Product & Services

Summit Corporation's current main product is Sticktech. Sticktech is a portable wifi router that sticks to any laptop, phone, computer, and tablet through an adhesive on its back. Sticktech gives unlimited wifi to the device it is attached to. Sticktech also has additional features of customizability, wireless charging, and location tracking for an additional cost. Sticktech helps the world become a more connected place. With Sticktech, no matter where someone is, they can use their technology to its full potential. Summit wants to help businesses and consumers alike reach their full potential. The world is becoming more dependent on technology. Because of Sticktech, the world is able to become more productive, efficient, collaborative, and connected.

Corporate Culture

Summit Corporation is proud to create and maintain a welcoming environment and safe place for people to express their ideas. Summit values transparency and equality. Here at Summit Corporation, we make sure that every single employee, investor, customer, and guest are all treated equally and fairly. Summit Corporation values diversity and creativity. We seek to promote unique ideas and individuality amongst all Summit employees. Additionally, we aspire to create a peaceful environment with minimal conflicts. While conflicts may arise, Summit expects its employees to resolve the conflict peacefully with both parties agreeing. During daily tasks, Summit employees work both individually and collaboratively on tasks. Summit employees may also work with other departments to achieve tasks. Summit employees are expected to turn tasks in on time while upholding a great quality that is expected. Finally,

Summit Corporation is proud to maintain a clean working environment. Both inside and outside of the office, Summit employees seek to clean and protect the environment.

Financial Statements and Footnotes

- Financial statements (actual vs projected)
 - Income statement(Put income statement chart here have summary underneath
 - Ultimately, Summit performed much better than projected. The total sales revenue was about \$550,000 higher than expected, and the total operating expenses were about \$200,000 lower than expected. Given these significant differences, Summit was able to walk away with a much higher net income than what was projected at the beginning of the year.
 - Balance sheet Put balance sheet chart here
 - Compared to the projections, Summit ended the year with more cash than we had anticipated in the beginning of the year, and less liabilities than we expected. The company turned out to be more profitable than we expected, ending with a total of \$475,544 in cash and \$232,885 in liabilities compared to the deficit we predicted with cash at \$167,831 and liabilities at \$261, 528.
 - Cash budget Insert Cash budget graph
 - Compared to the projections, Summit performed much better than we initially thought. At the end of our fiscal year we expected to have a left over balance of \$152,960 in cash. But in reality, we exceeded this with an ending balance of \$303,383. Showing how profitable Summit was as a firm this year.
 - Loan Amortization Table Put in the table after title
 - Footnotes to the financial statements: All transactions after May 8th were not accounted for and will need to be for future statements.
- Ratio analysis
 - Current Ratio: 1.02

- Quick Ratio: 1.02
- Gross Profit Margin Ratio: 0.68
- Debt to Asset Ratio: 1.56

The current ratio is 1.02, signifying Summit's ability to pay off all of its obligations. The quick ratio is the same as the current ratio due to a merchandising deal with AT&T. Summit's debt to asset ratio is concerning due to it being 1.56 which is higher than 1.0. But since this is Summit's first year, it is too early to say whether this will be impactful on the company's overall performance over the next couple years. The gross profit margin ratio of 0.68 also shows Summit's high profit margin and its abilities to gain a large amount of revenue from its sales. For every sale, Summit gets 68% of the total sale back in pure profit.

- Other notes: Any other balances were due to reinvestments by employees in support of the company.
- **Financial performance and highlights/ write-up:** Summit has shown tremendous growth over the past fiscal year. Summit exceeded its own expectations from the beginning of the year, achieving more than \$1.3 million dollars in sales. We developed solid relationships with financial partners such as AT&T, Deloitte, and Joliet Hearings. We earned a total of \$850,000 from out of network sales and \$485,000 from online and trade show sales. Summit ended the year with \$267,939 of profit, exceeding expectations and setting up the next fiscal year with a large amount of capital. With regards to cash flow, Summit lost a lot of its revenue due to high payroll costs. Loan payments also took a portion of Summit's revenue, with payments totaling \$17,295.05. Summit still owes \$136,860.89 out of \$150,000 loan.

Management Discussion and Analysis

Company Goals:

The marketing department of Summit Corporation has been working towards a variety of goals throughout the course of this past year. Some of the goals for the department include both financial and non-financial achievements. The marketing department is responsible for researching the target market for Summit's product and reaching that target market through effective marketing strategies. It is safe to say that this goal has been achieved based on the sales and recognition that this firm has reached. Another goal of the department was to maximize sales since Summit is a first year company. This was successfully achieved, with Summit having made over \$1.3 million in sales.

One of the first goals that was set for the company was to create and advertise a product that is innovative and new to the market. This was successful as StickTech is a new product that has never been seen before in the real world, let alone any VEI firm. This new product needs to be advertised effectively to inform people about its specifications. Many people are now aware of what StickTech is and how it is useful to the consumer in a multitude of ways. With regards to Summit's overall net profit, the initial goal was to end the year with more than \$50,000. We

exceeded those expectations through out of network sales and a stellar month of sales in April. We ended the fiscal year with more than \$260,000 of net profit.

Summit has not only met, but exceeded the initial goals set, as shown through the accomplishments earned throughout the course of the year. Summit aspires to create a welcoming environment for clients, guests, and employees. The firm upholds the importance of transparency, dependability, and honesty. Summit values every single one of its employees and their opinions. Summit's main priority is to foster growth within each employee. Summit aspires to help each employee reach their full creative and professional potential.

Marketing and Advertising Plan:

For the marketing and advertising plan, Summit planned to reach out to local companies for local support. This was successfully achieved through the \$550,000 deal made with Deloitte, one of the big four accounting firms. Furthermore, Summit's goal was to use social media and various other advertising forms to spread the brand name as far and wide as possible; no publicity is bad publicity. It was slightly different because most of the sales came from the trade shows, and the marketing materials there helped keep net key investors and customers. Also, Summit didn't plan for the reliance on emails to other firms and the online trade show, which ended up playing a large role in the advertising plan.

Market Research:

In order to conduct market research, Summit created surveys and advertised during our tradeshow to get an idea of who are target market was in the real world and what adjustments should be made in order to further define the customer. Research was conducted before selling about who would be going to the trade shows and buying the product; this made it easier to define the target market. Other data was collected on what customers liked, where they lived, and whether they are male and female. This additional information has made the target market concise and specific, so that the company can reach the most amount of customers as possible.

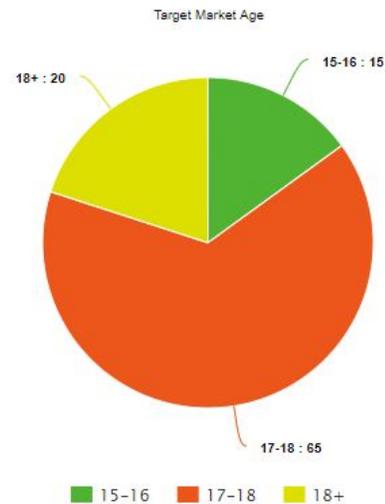
Advertising campaign:

In order to advertise Summit's product, the marketing department organized a brochure that would be given away at trade shows. In the brochure there was detailed information about the product and directions on how to purchase the product on Summit's website. In the end, the

advertising campaign was a success because Summit ended up making over \$1.3 million in sales.

Target Markets:

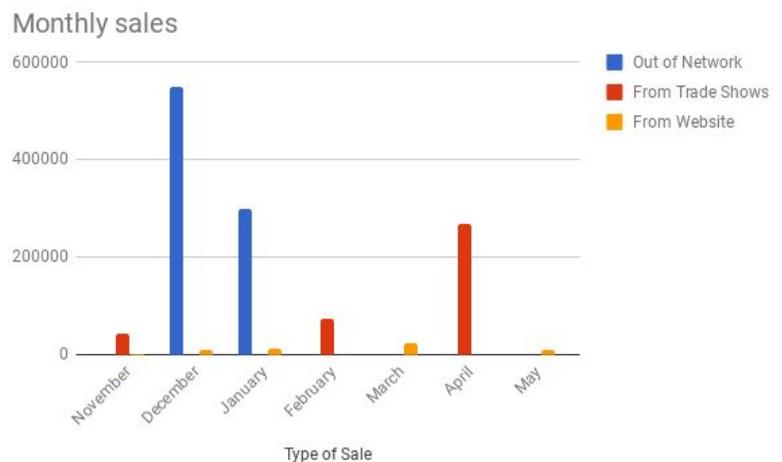
Based off of the research from the Sales and Marketing Department, the company has concluded that the demographic of the target market is made up of both male and females who range in age from 15-18. These are people who frequently use technology throughout their daily life and would benefit from the purchase of StickTech. Further pinpointing their geographic location, they live in the United States because StickTech is only available within the states. This comes as a result of the partnership with AT&T that grants Summit access to internet lines that only run across the country, not globally.



The target market can be further broken down into segments to get a better idea of who they are and the best way to target them. These categories can be divided into adolescent consumers and businesses/schools. Adolescent/VEI consumers make up the majority of the sales, as these are the people that will be buying the product online and at trade shows. Whereas businesses/schools generate sales for Summit through contract negotiations contracts in which they buy the product in bulk. This generates a large amount of revenue for Summit since they are buying in large numbers in order provide the product for all of the members in the organization or school.

Trade Show Research:

Summit designed its booths for the trade shows using attention grabbing posters, raffles and having several employees ready to talk to potential customers. Although most of the sales were made out-of-network, a significant amount of sales also came from trade shows



and the website. Some ways that Summit promoted themselves outside of the trade shows was by creating several brochures and commercials. These things generated a decent portion of the sales to people who are local to the company. The pie chart shows the percentage of where each of the revenue came from, with red representing Out-of-Network sales, blue representing sales from the Trade Shows, and yellow showing the sales made directly from the website.

Corporate Website:

The website did increase sales since all sales, excluding sales to professionals in the real world, had to go through the website. This meant that the primary way to make sales was through the website meaning that the website did increase sales since the process to make a sale included ordering the product from the company website.

Brand Awareness:

The main method that the company used in order to promote brand awareness was through impact marketing. Through conducting research and customer profiling, Summit determined what types of marketing tactics would work best for the company's consumer age range. Because Summit's consumers consist primarily of adolescents, the firm decided to go with a simplistic approach to marketing that would make a lasting impact in people's minds. By creating a commercial that presents the product in a simple, straightforward way, Summit was able to emphasize what the brand is about while at the same time illustrating the product features clearly.

Risk Management:

One of the biggest risks that Summit expected when selling StickTech was related to the pricing model. The firm conducted a significant amount of research on similar products to StickTech and they varied a lot. At a base price of \$205, not including add-ons, it was priced lower than similar services or products and banked on Summit's advertising campaign and marketing material to bring in more customers. The lower price point came to light especially at the trade shows. Summit made about the same amount of the sales, if not more, than neighboring VEI firms, but their price points were often times higher than Summit's, which resulted in them bringing in more revenue. Summit compensated for this risk by creating a bundle price, including the tracking and portable charging. This helped the firm increase revenue, and therefore profits, as it increased the price of the overall product, and the additional features made

the product more appealing for consumers.

Strategic Direction:

In the future, Summit has a lot of room for potential growth and has a lot of areas to expand in. The internet and online technology sector is expanding at a rate never seen before, and with it comes space for products such as StickTech. Summit can eventually expand its services to new sectors, hence bringing in more revenue and growing the company into a more profitable venture.

Additional VE Supporting Documents for Year-End Reporting Requested

- Annual report
- Bank statement
- Loan amortization
- Loan payment table
- Copy of contracts used for sales to non virtual entities contact info
- Additional documents