

Form 5500 Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Annual Return/Report of Employee Benefit Plan This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6057(b) and 6058(a) of the Internal Revenue Code (the Code). ▶ Complete all entries in accordance with the instructions to the Form 5500.	OMB Nos. 1210-0110 1210-0089 2023 This Form is Open to Public Inspection
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Part I	Annual Report Identification Information
For calendar plan year 2023 or fiscal plan year beginning 01/01/2023 and ending 12/31/2023	
A	This return/report is for: ☐ a multiemployer plan ☐ a multiple-employer plan (Filers checking this box must provide participating employer information in accordance with the form instructions.) ☒ a single-employer plan ☐ a DFE (specify) _____ ☐ the first return/report ☐ the final return/report ☒ an amended return/report ☐ a short plan year return/report (less than 12 months)
C	If the plan is a collectively-bargained plan, check here. ▶ ☐
D	Check box if filing under: ☒ Form 5558 ☐ automatic extension ☐ the DFVC program ☐ special extension (enter description)
E	If this is a retroactively adopted plan permitted by SECURE Act section 201, check here. ▶ ☐

Part II	Basic Plan Information—enter all requested information
1a	Name of plan SHERWOOD MECHANICAL, INC. EMPLOYEE STOCK OWNERSHIP PLAN
1b	Three-digit plan number (PN) ▶ 001
1c	Effective date of plan 01/01/2021
2a	Plan sponsor's name (employer, if for a single-employer plan) Mailing address (include room, apt., suite no. and street, or P.O. Box) City or town, state or province, country, and ZIP or foreign postal code (if foreign, see instructions) SHERWOOD MECHANICAL, INC. 6630 TOP GUN STREET SAN DIEGO, CA 92121
2b	Employer Identification Number (EIN) 68-0565225
2c	Plan Sponsor's telephone number 858-679-3000
2d	Business code (see instructions) 238220

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	Filed with authorized/valid electronic signature.	01/23/2025	JAMES ROBERTS
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE	Filed with authorized/valid electronic signature.	01/23/2025	JAMES ROBERTS
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE

3a Plan administrator's name and address ☒ Same as Plan Sponsor	3b Administrator's EIN 3c Administrator's telephone number
4 If the name and/or EIN of the plan sponsor or the plan name has changed since the last return/report filed for this plan, enter the plan sponsor's name, EIN, the plan name and the plan number from the last return/report: a Sponsor's name c Plan Name	4b EIN 4d PN
5 Total number of participants at the beginning of the plan year	5 103
6 Number of participants as of the end of the plan year unless otherwise stated (welfare plans complete only lines 6a(1) , 6a(2) , 6b , 6c , and 6d). a(1) Total number of active participants at the beginning of the plan year a(2) Total number of active participants at the end of the plan year b Retired or separated participants receiving benefits c Other retired or separated participants entitled to future benefits d Subtotal. Add lines 6a(2) , 6b , and 6c e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits f Total. Add lines 6d and 6e g(1) Number of participants with account balances as of the beginning of the plan year (only defined contribution plans complete this item) g(2) Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item) h Number of participants who terminated employment during the plan year with accrued benefits that were less than 100% vested	6a(1) 96 6a(2) 91 6b 0 6c 14 6d 105 6e 0 6f 105 6g(1) 96 6g(2) 102 6h 14
7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item)	7

8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristics Codes in the instructions:

2I 2O 2Q 3I

b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristics Codes in the instructions:

9a Plan funding arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor	9b Plan benefit arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor
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10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)

a Pension Schedules

- (1) ☒ **R** (Retirement Plan Information)
- (2) ☐ **MB** (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary
- (3) ☐ **SB** (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary
- (4) ☐ **DCG** (Individual Plan Information) – Number Attached 0
- (5) ☐ **MEP** (Multiple-Employer Retirement Plan Information)

b General Schedules

- (1) ☒ **H** (Financial Information)
- (2) ☐ **I** (Financial Information – Small Plan)
- (3) ☐ **A** (Insurance Information) – Number Attached _____
- (4) ☒ **C** (Service Provider Information)
- (5) ☐ **D** (DFE/Participating Plan Information)
- (6) ☐ **G** (Financial Transaction Schedules)

Part III Form M-1 Compliance Information (to be completed by welfare benefit plans)

11a If the plan provides welfare benefits, was the plan subject to the Form M-1 filing requirements during the plan year? (See instructions and 29 CFR 2520.101-2.) ☐ Yes ☐ No

If "Yes" is checked, complete lines 11b and 11c.

11b Is the plan currently in compliance with the Form M-1 filing requirements? (See instructions and 29 CFR 2520.101-2.) ☐ Yes ☐ No

11c Enter the Receipt Confirmation Code for the 2023 Form M-1 annual report. If the plan was not required to file the 2023 Form M-1 annual report, enter the Receipt Confirmation Code for the most recent Form M-1 that was required to be filed under the Form M-1 filing requirements. (Failure to enter a valid Receipt Confirmation Code will subject the Form 5500 filing to rejection as incomplete.)

Receipt Confirmation Code _____

SCHEDULE C (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Service Provider Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110
		2023
		This Form is Open to Public Inspection.

For calendar plan year 2023 or fiscal plan year beginning 01/01/2023 and ending 12/31/2023

A Name of plan SHERWOOD MECHANICAL, INC. EMPLOYEE STOCK OWNERSHIP PLAN	B Three-digit plan number (PN) ▶ 001
C Plan sponsor's name as shown on line 2a of Form 5500 SHERWOOD MECHANICAL, INC.	D Employer Identification Number (EIN) 68-0565225

Part I

Service Provider Information (see instructions)

You must complete this Part, in accordance with the instructions, to report the information required for **each person** who received, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of monetary value) in connection with services rendered to the plan or the person's position with the plan during the plan year. If a person received **only** eligible indirect compensation for which the plan received the required disclosures, you are required to answer line 1 but are not required to include that person when completing the remainder of this Part.

1

Information on Persons Receiving Only Eligible Indirect Compensation

- a

Check "Yes" or "No" to indicate whether you are excluding a person from the remainder of this Part because they received only eligible indirect compensation for which the plan received the required disclosures (see instructions for definitions and conditions).....

No

Yes

☒
- b

If you answered line 1a "Yes," enter the name and EIN or address of each person providing the required disclosures for the service providers who received only eligible indirect compensation. Complete as many entries as needed (see instructions).

(b)

Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b)

Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

Part I Service Provider Information (continued)

3. If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	

Part II Service Providers Who Fail or Refuse to Provide Information

4 Provide, to the extent possible, the following information for each service provider who failed or refused to provide the information necessary to complete this Schedule.

(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide

Part III Termination Information on Accountants and Enrolled Actuaries (see instructions)
(complete as many entries as needed)

a Name:	HOCHMAN TORRES LLP	b EIN:	82-1291080
c Position:	ACCOUNTANT		
d Address:	9845 ERMA ROAD, SUITE 303 SAN DIEGO, CA 92131	e Telephone:	858-535-1065

Explanation: IRRECONCILABLE DIFFERENCES BETWEEN OUR PREVIOUS CFO AND HOCHMAN TORRES

a Name:		b EIN:	
c Position:			
d Address:		e Telephone:	

Explanation:

a Name:		b EIN:	
c Position:			
d Address:		e Telephone:	

Explanation:

a Name:		b EIN:	
c Position:			
d Address:		e Telephone:	

Explanation:

a Name:		b EIN:	
c Position:			
d Address:		e Telephone:	

Explanation:

SCHEDULE H (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Financial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110
		2023
		This Form is Open to Public Inspection

For calendar plan year 2023 or fiscal plan year beginning 01/01/2023 and ending 12/31/2023		
A Name of plan SHERWOOD MECHANICAL, INC. EMPLOYEE STOCK OWNERSHIP PLAN	B Three-digit plan number (PN) ▶	001
C Plan sponsor's name as shown on line 2a of Form 5500 SHERWOOD MECHANICAL, INC.		
		D Employer Identification Number (EIN) 68-0565225

Part I	Asset and Liability Statement
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1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. **Round off amounts to the nearest dollar.** MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.

Assets		(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash	1a	994551	437994
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions	1b(1)	340943	
(2) Participant contributions	1b(2)		
(3) Other	1b(3)	-1335494	
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit)	1c(1)		
(2) U.S. Government securities	1c(2)		
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)		
(B) All other	1c(3)(B)		
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)		
(B) Common	1c(4)(B)		
(5) Partnership/joint venture interests	1c(5)		
(6) Real estate (other than employer real property)	1c(6)		
(7) Loans (other than to participants)	1c(7)		
(8) Participant loans	1c(8)		
(9) Value of interest in common/collective trusts	1c(9)		
(10) Value of interest in pooled separate accounts	1c(10)		
(11) Value of interest in master trust investment accounts	1c(11)		
(12) Value of interest in 103-12 investment entities	1c(12)		
(13) Value of interest in registered investment companies (e.g., mutual funds)	1c(13)		
(14) Value of funds held in insurance company general account (unallocated contracts)	1c(14)		
(15) Other	1c(15)		

1d Employer-related investments:		(a) Beginning of Year	(b) End of Year
(1) Employer securities	1d(1)	1190438	1187594
(2) Employer real property	1d(2)		
e Buildings and other property used in plan operation	1e		
f Total assets (add all amounts in lines 1a through 1e)	1f	1190438	1625588
Liabilities			
g Benefit claims payable	1g		
h Operating payables	1h		
i Acquisition indebtedness	1i		
j Other liabilities	1j		435494
k Total liabilities (add all amounts in lines 1g through 1j)	1k	0	435494
Net Assets			
l Net assets (subtract line 1k from line 1f)	1l	1190438	1190094

Part II Income and Expense Statement

2 Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

Income		(a) Amount	(b) Total
a Contributions:			
(1) Received or receivable in cash from: (A) Employers	2a(1)(A)	8389	
(B) Participants	2a(1)(B)		
(C) Others (including rollovers)	2a(1)(C)		
(2) Noncash contributions	2a(2)		
(3) Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)		8389
b Earnings on investments:			
(1) Interest:			
(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)		
(B) U.S. Government securities	2b(1)(B)		
(C) Corporate debt instruments	2b(1)(C)		
(D) Loans (other than to participants)	2b(1)(D)		
(E) Participant loans	2b(1)(E)		
(F) Other	2b(1)(F)		
(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)		0
(2) Dividends: (A) Preferred stock	2b(2)(A)		
(B) Common stock	2b(2)(B)		
(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)		
(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)		0
(3) Rents	2b(3)		
(4) Net gain (loss) on sale of assets: (A) Aggregate proceeds	2b(4)(A)		
(B) Aggregate carrying amount (see instructions)	2b(4)(B)		
(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result	2b(4)(C)		0
(5) Unrealized appreciation (depreciation) of assets: (A) Real estate	2b(5)(A)		
(B) Other	2b(5)(B)	-2844	
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		

		(a) Amount	(b) Total
(6) Net investment gain (loss) from common/collective trusts.....	2b(6)		
(7) Net investment gain (loss) from pooled separate accounts.....	2b(7)		
(8) Net investment gain (loss) from master trust investment accounts.....	2b(8)		
(9) Net investment gain (loss) from 103-12 investment entities.....	2b(9)		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds)	2b(10)		
c Other income	2c		
d Total income. Add all income amounts in column (b) and enter total	2d		5545

Expenses

e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	5859	
(2) To insurance carriers for the provision of benefits.....	2e(2)		
(3) Other	2e(3)		
(4) Total benefit payments. Add lines 2e(1) through (3)	2e(4)		5859
f Corrective distributions (see instructions)	2f		
g Certain deemed distributions of participant loans (see instructions)	2g		
h Interest expense	2h		
i Administrative expenses:			
(1) Salaries and allowances	2i(1)		
(2) Contract administrator fees.....	2i(2)		
(3) Recordkeeping fees.....	2i(3)		
(4) IQPA audit fees.....	2i(4)		
(5) Investment advisory and investment management fees	2i(5)		
(6) Bank or trust company trustee/custodial fees	2i(6)		
(7) Actuarial fees	2i(7)		
(8) Legal fees	2i(8)		
(9) Valuation/appraisal fees	2i(9)		
(10) Other trustee fees and expenses	2i(10)		
(11) Other expenses	2i(11)	30	
(12) Total administrative expenses. Add lines 2i(1) through (11)	2i(12)		30
j Total expenses. Add all expense amounts in column (b) and enter total	2j		5889

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d	2k		-344
l Transfers of assets:			
(1) To this plan	2l(1)		
(2) From this plan	2l(2)		

Part III Accountant's Opinion

3 Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

a The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) ☒ Unmodified (2) ☐ Qualified (3) ☐ Disclaimer (4) ☐ Adverse

b Check the appropriate box(es) to indicate whether the IQPA performed an ERISA section 103(a)(3)(C) audit. Check both boxes (1) and (2) if the audit was performed pursuant to both 29 CFR 2520.103-8 and 29 CFR 2520.103-12(d). Check box (3) if pursuant to neither.

(1) ☐ DOL Regulation 2520.103-8 (2) ☐ DOL Regulation 2520.103-12(d) (3) ☒ neither DOL Regulation 2520.103-8 nor DOL Regulation 2520.103-12(d).

c Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: **ALDRICH CPAS + ADVISORS, LLP**

(2) EIN: **93-0623286**

d The opinion of an independent qualified public accountant is **not attached** as part of Schedule H because:

(1) ☐ This form is filed for a CCT, PSA, DCG or MTIA. (2) ☒ It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

Part IV Compliance Questions

4 CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete lines 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete lines 4j and 4l. MTIAs also do not complete line 4l. DCGs do not complete lines 4e, 4f, 4k, 4l, and 5, and DCGs generally complete the rest of Part IV collectively for all plans in the DCG, except as otherwise provided (see instructions).

During the plan year:

	Yes	No	Amount
a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.)		☒	
b Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.)		☒	
c Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)		☒	
d Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.)		☒	
e Was this plan covered by a fidelity bond?	☒		500000
f Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?		☒	
g Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?		☒	
h Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?		☒	
i Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.)	☒		
j Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked and see instructions for format requirements.)		☒	
k Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?		☒	
l Has the plan failed to provide any benefit when due under the plan?		☒	
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)		☒	
n If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.			

5a Has a resolution to terminate the plan been adopted during the plan year or any prior plan year? ☐ Yes ☒ No
If "Yes," enter the amount of any plan assets that reverted to the employer this year _____.

5b If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)	5b(2) EIN(s)	5b(3) PN(s)

5c Was the plan a defined benefit plan covered under the PBGC insurance program at any time during this plan year? (See ERISA section 4021 and instructions.) ☐ Yes ☐ No ☐ Not determined

If "Yes" is checked, enter the My PAA confirmation number from the PBGC premium filing for this plan year _____.

SCHEDULE R (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Retirement Plan Information This schedule is required to be filed under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110 2023 This Form is Open to Public Inspection.
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For calendar plan year 2023 or fiscal plan year beginning 01/01/2023 and ending 12/31/2023		
A Name of plan SHERWOOD MECHANICAL, INC. EMPLOYEE STOCK OWNERSHIP PLAN	B Three-digit plan number (PN) ▶	001
C Plan sponsor's name as shown on line 2a of Form 5500 SHERWOOD MECHANICAL, INC.	D Employer Identification Number (EIN) 68-0565225	

Part I	Distributions
--------	---------------

All references to distributions relate only to payments of benefits during the plan year.

1	Total value of distributions paid in property other than in cash or the forms of property specified in the instructions.....	1	0
2	Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits): EIN(s): 42-0127290		
Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.			
3	Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year	3	

Part II	Funding Information (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part.)
---------	--

4	Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)?	☐ Yes	☐ No	☐ N/A
If the plan is a defined benefit plan, go to line 8.				
5	If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. Date: Month _____ Day _____ Year _____ If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.			
6	a Enter the minimum required contribution for this plan year (include any prior year accumulated funding deficiency not waived)	6a		
	b Enter the amount contributed by the employer to the plan for this plan year	6b		
	c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount)	6c		
If you completed line 6c, skip lines 8 and 9.				
7	Will the minimum funding amount reported on line 6c be met by the funding deadline?	☐ Yes	☐ No	☐ N/A
8	If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure or other authority providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change?	☐ Yes	☐ No	☐ N/A

Part III	Amendments
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9	If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box. If no, check the "No" box.	☐ Increase	☐ Decrease	☐ Both	☐ No
---	--	-----------------------------------	-----------------------------------	-------------------------------	-----------------------------

Part IV	ESOPs (see instructions). If this is not a plan described under section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.
---------	--

10	Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan?	☐ Yes	☒ No
11	a Does the ESOP hold any preferred stock?	☐ Yes	☒ No
	b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.)	☐ Yes	☒ No
12	Does the ESOP hold any stock that is not readily tradable on an established securities market?	☒ Yes	☐ No

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

13 Enter the following information for each employer that (1) contributed more than 5% of total contributions to the plan during the plan year or (2) was one of the top-ten highest contributors (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

14 Enter the number of deferred vested and retired participants (inactive participants), as of the beginning of the plan year, whose contributing employer is no longer making contributions to the plan for:		
a The current plan year. Check the box to indicate the counting method used to determine the number of inactive participants: ☐ last contributing employer ☐ alternative ☐ reasonable approximation (see instructions for required attachment)	14a	
b The plan year immediately preceding the current plan year. ☐ Check the box if the number reported is a change from what was previously reported (see instructions for required attachment)	14b	
c The second preceding plan year. ☐ Check the box if the number reported is a change from what was previously reported (see instructions for required attachment)	14c	
15 Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:		
a The corresponding number for the plan year immediately preceding the current plan year	15a	
b The corresponding number for the second preceding plan year	15b	
16 Information with respect to any employers who withdrew from the plan during the preceding plan year:		
a Enter the number of employers who withdrew during the preceding plan year	16a	
b If line 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers	16b	
17 If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment..... ☐		

Part VI	Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans
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18 If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment..... ☐	
19 If the total number of participants is 1,000 or more, complete lines (a) and (b):	
a Enter the percentage of plan assets held as: Public Equity: _____% Private Equity: _____% Investment-Grade Debt and Interest Rate Hedging Assets: _____% High-Yield Debt: _____% Real Assets: _____% Cash or Cash Equivalents: _____% Other: _____%	
b Provide the average duration of the Investment-Grade Debt and Interest Rate Hedging Assets: ☐ 0-5 years ☐ 5-10 years ☐ 10-15 years ☐ 15 years or more	
20 PBGC missed contribution reporting requirements. If this is a multiemployer plan or a single-employer plan that is not covered by PBGC, skip line 20.	
a Is the amount of unpaid minimum required contributions for all years from Schedule SB (Form 5500) line 40 greater than zero? ☐ Yes ☐ No	
b If line 20a is "Yes," has PBGC been notified as required by ERISA sections 4043(c)(5) and/or 303(k)(4)? Check the applicable box:	
☐ Yes.	
☐ No. Reporting was waived under 29 CFR 4043.25(c)(2) because contributions equal to or exceeding the unpaid minimum required contribution were made by the 30th day after the due date.	
☐ No. The 30-day period referenced in 29 CFR 4043.25(c)(2) has not yet ended, and the sponsor intends to make a contribution equal to or exceeding the unpaid minimum required contribution by the 30th day after the due date.	
☐ No. Other. Provide explanation. _____	

Part VII	IRS Compliance Questions
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21a Does the plan satisfy the coverage and nondiscrimination tests of Code sections 410(b) and 401(a)(4) by combining this plan with any other plans under the permissive aggregation rules? ☐ Yes ☐ No	
21b If this is a Code section 401(k) plan, check all boxes that apply to indicate how the plan is intended to satisfy the nondiscrimination requirements for employee deferrals and employer matching contributions (as applicable) under Code sections 401(k)(3) and 401(m)(2).	
☐ Design-based safe harbor method	
☐ "Prior year" ADP test	
☐ "Current year" ADP test	
☐ N/A	
22 If the plan sponsor is an adopter of a pre-approved plan that received a favorable IRS Opinion Letter, enter the date of the Opinion Letter ____/____/____ (MM/DD/YYYY) and the Opinion Letter serial number _____.	

2023

Sherwood Mechanical, Inc. Employee Stock Ownership Plan

FINANCIAL STATEMENTS WITH SUPPLEMENTAL SCHEDULE

December 31, 2023 and 2022

SHERWOOD MECHANICAL, INC. EMPLOYEE STOCK OWNERSHIP PLAN

Financial Statements with Supplemental Schedule

December 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Trustees
Sherwood Mechanical, Inc. Employee Stock Ownership Plan
San Diego, California

Opinion on the 2023 Financial Statements

We have audited the accompanying financial statements of Sherwood Mechanical, Inc. Employee Stock Ownership Plan (the Plan), an employee benefit plan subject to the Employee Retirement Income Security Act of 1974 (ERISA), which comprise the statement of net assets available for benefits as of December 31, 2023, and the related statement of changes in net assets available for benefits for the year then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of Sherwood Mechanical, Inc. Employee Stock Ownership Plan as of December 31, 2023, and the changes in its net assets available for benefits for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion on the 2023 Financial Statements

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 2023 Financial Statements section of our report. We are required to be independent of Sherwood Mechanical, Inc. Employee Stock Ownership Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the 2023 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Management is also responsible for maintaining a current plan instrument, including all plan amendments, administering the plan, and determining that the plan's transactions that are presented and disclosed in the financial statements are in conformity with the plan's provisions, including maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants.

Auditor's Responsibilities for the Audit of the 2023 Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

INDEPENDENT AUDITOR'S REPORT, CONTINUED

Auditor's Responsibilities for the Audit of the 2023 Financial Statements, continued

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

2023 Supplemental Schedule Required by ERISA

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule of Schedule H, Line 4i - Schedule of Assets (Held at End of Year) as of December 31, 2023, is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with generally accepted auditing standards.

In forming our opinion on the supplemental schedule, we evaluated whether the supplemental schedule, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA.

In our opinion, the information in the accompanying schedule is fairly stated, in all material respects, in relation to the financial statements as a whole, and the form and content are presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA.

Auditor's Report on the 2022 Financial Statements

Predecessor auditors performed an audit of the 2022 financial statements of Sherwood Mechanical, Inc. Employee Stock Ownership Plan. In accordance with ERISA Section 103(a)(3)(C) pursuant to 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA, the prior year audit did not extend to any statements or information related to assets held for investment of the Plan that were certified by qualified institutions. Their report dated September 25, 2023, indicated that (a) the amounts and disclosures in the 2022 financial statements, other than those agreed to or derived from the certified investment information, were presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America, and (b) the information in the 2022 financial statements related to assets held by and certified to by qualified institutions agrees to, or is derived from, in all material respects, the information prepared and certified by an institution that management determined meets the requirements of ERISA Section 103(a)(3)(C).

INDEPENDENT AUDITOR'S REPORT, CONTINUED

Auditor's Report on the 2022 Financial Statements, continued

Their report also indicated that the form and content of the 2022 supplemental schedule, other than the information in the 2022 supplemental schedule that agrees to or is derived from the certified investment information, were presented, in all material respects, in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA, and the information in the 2022 supplemental schedule related to assets held by and certified to by a qualified institution agrees to, or is derived from, in all material respects, the information prepared and certified by an institution that management meets the requirements of ERISA Section 103(a)(3)(C).

Aldrich CPAs + Advisors LLP

San Diego, California
December 26, 2024

SHERWOOD MECHANICAL, INC. EMPLOYEE STOCK OWNERSHIP PLAN

Statements of Net Assets Available for Benefits

December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Investments, at fair value:		
Sherwood Mechanical, Inc. common stock	\$ 1,187,594	\$ 1,190,438
Non-Interest Bearing Cash:	437,994	994,551
Receivables:		
Employer contribution	-	340,943
Total Assets	<u>1,625,588</u>	<u>2,525,932</u>
LIABILITIES		
Stock Purchase Liability	<u>435,494</u>	<u>1,335,494</u>
Total Liabilities	<u>435,494</u>	<u>1,335,494</u>
Net Assets Available for Plan Benefits	<u>\$ 1,190,094</u>	<u>\$ 1,190,438</u>

SHERWOOD MECHANICAL, INC. EMPLOYEE STOCK OWNERSHIP PLAN

Statement of Changes in Net Assets Available for Benefits

Year Ended December 31, 2023

Additions to Net Assets Attributed to:

Employer contributions	\$ 8,389
------------------------	----------

Net Additions	8,389
---------------	-------

Deductions from Net Assets Attributed to:

Net depreciation in fair value of investments	2,844
---	-------

Distributions	5,859
---------------	-------

Administrative expenses	30
-------------------------	----

Total Deductions	8,733
------------------	-------

Change in Net Assets	(344)
----------------------	-------

Net Assets Available for Benefits at Beginning of Year	1,190,438
--	-----------

Net Assets Available for Benefits at End of Year	\$ 1,190,094
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SHERWOOD MECHANICAL, INC. EMPLOYEE STOCK OWNERSHIP PLAN

Notes to Financial Statements

December 31, 2023 and 2022

Note 1 - Description of the Plan

The following description of the Sherwood Mechanical, Inc. Employee Stock Ownership Plan (the Plan) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

General

The Plan is an employee stock ownership plan sponsored by Sherwood Mechanical, Inc. (the Company). The Plan operates as a leveraged employee stock ownership plan (ESOP) and is designed to comply with Section 4975(e)(7) and the regulations thereunder of the Internal Revenue Code of 1986, as amended (IRC) and is subject to the applicable provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

Eligibility

Employees of the Company over the age of 18 are generally eligible to participate in the Plan after one year of service providing, they worked at least 1,000 hours during such plan year. Participants who do not have at least 1,000 hours of service during such plan year, are not employed on the last working day of a plan year are generally not eligible for an allocation of Company contributions for such year. Employees who are covered by a collective bargaining agreement, non-resident aliens, independent contractors, and leased employees are not eligible to participate.

Contributions

The Company may make contributions to the plan in one or more installments without regard to its net profits for such year in such amounts as the Board may determine in its sole discretion. Participant contributions are not permitted.

Payment of Benefits

No distribution from the Plan will be made until a participant retires, becomes disabled, or deceased (in which case, payment shall be made to their beneficiary or, if none, their legal representatives), or otherwise terminates employment with the Company. Distributions are made in cash or stock as determined by the Trustees.

If a participant terminates employment with the Company prior to reaching retirement age, the distribution of their account balance will commence no later than the close of the fifth plan year following the plan year in which they terminated employment with the Company. All other distributions due to retirement, disability, or death will commence as soon as possible after the close of the plan year in which the participant terminated employment with the Company. Under the provisions of the Plan, the Company is obligated to repurchase participant shares, which have been distributed under the terms of the Plan if the shares are not publicly traded or if the shares are subject to trading limitations.

Effective January 1, 2023, if a participant terminates employment with the Company prior to reaching normal retirement age, the distribution of their account balance will commence after the participant incurs five consecutive one-year breaks in service. The Plan provides for a mandatory cash-out following severance of employment for vested account balances less than \$5,000.

Voting Rights

Shares of Company stock shall be voted by the Trustees. With respect to certain extraordinary transactions such as a merger, consolidation, recapitalization, reclassification, liquidation, dissolution, or sale of substantially all of the Company's assets, each participant is entitled to exercise voting rights attributable to the shares of Company stock allocated to their account. In other circumstances, the Trustee votes on behalf of the shares of the Company stock held by the Plan.

SHERWOOD MECHANICAL, INC. EMPLOYEE STOCK OWNERSHIP PLAN

Notes to Financial Statements

December 31, 2023 and 2022

Note 1 - Description of the Plan, continued

Participant Accounts

The Plan is a defined contribution plan in which a separate individual account is established for each participant. Each participant's account is credited as of the last day of each plan year with an allocation of shares of the Company's common stock released by the Trustee from the unallocated account and forfeitures of terminated participants' non-vested accounts. Participants must be eligible employees of the Company as of the last day of the plan year to receive an allocation, unless they are of normal retirement age or termination resulted from death or disability. If of normal retirement age, the participant will receive a final allocation for their last year of employment. Allocation is based on a participant's eligible compensation, relative to total eligible compensation.

Vesting

Vesting in the Company's contribution portion of their accounts is based on years of service. The vesting schedule is as follows:

<u>Year of Service</u>	<u>Vested%</u>
Less than two years	0%
Two years	20%
Three years	40%
Four years	60%
Five years	80%
Six or more years	100%

Put Option

Under federal income tax regulations, the Company's stock that is held by the Plan and its participants and is not readily tradable on an established market, or is subject to trading limitations, includes a put option. The put option is a right to demand that the Company buy any shares of its stock distributed to participants for which there is no market. The put price is representative of the current appraised value of the stock. The Company can pay for the purchase with interest over a period of five years. The purpose of the put option is to ensure that the participant has the ability to ultimately obtain cash.

Diversification

Diversification is offered to participants close to retirement so that they may have the opportunity to move part of the value of their investment in Company common stock into investments that are more diversified. Participants who are at least age 55 with at least 10 years of participation in the Plan, may elect to diversify a portion of their account. Diversification is offered to each eligible participant over a six-year period. During the first five years, a participant may diversify up to 25% of the number of shares allocated to their account, less any shares previously diversified. When participants reach age 60, the percentage changes to 50%. Participants who elect to diversify receive a cash distribution.

Forfeitures

Plan forfeitures are allocated to each participant's account based upon the relation of the participant's compensation to total compensation for the Plan year. There were no forfeitures allocated to participants during the year ended December 31, 2023 (\$11,234 during the year ended December 31, 2022).

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Plan are prepared on the accrual basis of accounting.

SHERWOOD MECHANICAL, INC. EMPLOYEE STOCK OWNERSHIP PLAN

Notes to Financial Statements

December 31, 2023 and 2022

Note 2 - Summary of Significant Accounting Policies, continued

Administration of Plan Assets

The Plan's assets, which consist primarily of Company common shares, are held by the Plan. Company contributions are held and managed by the Trustee, which invests cash received, interest, distributions, and dividend income and makes distributions to participants.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Allocations

The financial statements of the Plan present separately the assets and liabilities and changes therein pertaining to (a) the amounts of employees with rights in allocated stock ("allocated") and (b) stock not yet allocated to employees ("unallocated"), including shares that are committed to be released.

Investments Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net depreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Payments of Benefits

Benefits are recorded when paid.

Administrative Expenses

Certain administrative expenses incidental to the administration of the Plan may be paid by the Plan, unless otherwise paid by the Company. Administrative expenses paid by the Company are excluded from the financial statements.

Subsequent Events

The Plan has evaluated subsequent events through December 26, 2024, which is the date the financial statements were available to be issued.

Risks and Uncertainties

The Plan invests primarily in the common stock of the Company. The Plan also invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

SHERWOOD MECHANICAL, INC. EMPLOYEE STOCK OWNERSHIP PLAN

Notes to Financial Statements

December 31, 2023 and 2022

Note 3 - Non-Participant Directed Investments

The Plan's investment in Company stock is non-participant directed and represents more than 5% of net assets available for benefits. The estimated fair value of the Plan's investments in Sherwood Mechanical, Inc. common shares at December 31, 2023 is as follows:

	Allocated	Unallocated	Total
Number of shares	21,875	-	21,875
Cost	\$ 1,335,469	\$ -	\$ 1,335,469
Estimated fair value	\$ 1,187,594	\$ -	\$ 1,187,594

The estimated fair value of the Plan's investments in Sherwood Mechanical, Inc. common shares at December 31, 2022 is as follows:

	Allocated	Unallocated	Total
Number of shares	21,875	-	21,875
Cost	\$ 1,335,469	\$ -	\$ 1,335,469
Estimated fair value	\$ 1,190,438	\$ -	\$ 1,190,438

Note 4 - Fair Value Measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 - Inputs to the valuation methodology include: 1) quoted prices for similar assets or liabilities in active markets; 2) quoted prices for identical or similar assets or liabilities in inactive markets; 3) inputs other than quoted prices that are observable for the asset or liability; 4) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

SHERWOOD MECHANICAL, INC. EMPLOYEE STOCK OWNERSHIP PLAN

Notes to Financial Statements

December 31, 2023 and 2022

Note 4 - Fair Value Measurements, continued

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2023 and 2022.

Sherwood Mechanical, Inc. common stock: Valued based on independent appraiser's valuation of the Company. The independent appraiser used two different appraisal approaches (income and market) when valuing the shares.

The following tables set forth by level, within the fair value hierarchy, the Plan's assets at fair value:

	Investments at Fair Value as of December 31, 2023			
	Level 1	Level 2	Level 3	Total
Sherwood Mechanical, Inc. common stock	\$ -	\$ -	\$ 1,187,594	\$ 1,187,594
Total investments at fair value	\$ -	\$ -	\$ 1,187,594	\$ 1,187,594

	Investments at Fair Value as of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Sherwood Mechanical, Inc. common stock	\$ -	\$ -	\$ 1,190,438	\$ 1,190,438
Total investments at fair value	\$ -	\$ -	\$ 1,190,438	\$ 1,190,438

Level 3 Fair Value Measurements

The fair value of Sherwood Mechanical, Inc. common stock is determined by an annual independent appraisal. Two different appraisal approaches (income and market) were examined when valuing shares. It was determined that a weighted average method using both the income approach and market was the most relevant because of the Company specific internal and external factors incorporated into the data that were part of its calculations. The appraiser took into account historical and projected cash flow, net working capital, net income, market comparable, and estimated fair value of Company assets and liabilities.

The following table provides further details of this Level 3 fair value measurement:

	Sherwood Mechanical, Inc. Common Stock
Beginning balance	\$ 1,190,438
Total gains or losses for the period included in changes in net assets available for benefits attributable to the change in unrealized gains or losses relating to investments still held at the reporting date	(2,844)
Ending balance	\$ 1,187,594

SHERWOOD MECHANICAL, INC. EMPLOYEE STOCK OWNERSHIP PLAN

Notes to Financial Statements

December 31, 2023 and 2022

Note 5 - Stock Purchase Liability

During 2022, the ESOP purchased shares of Company common stock from a shareholder in exchange for a non-interest bearing note payable equal to the aggregate amount owed for the stock purchased. Subsequent to year-end, \$435,494 has been paid to the shareholder from the Plan on the outstanding note payable.

The scheduled amortization of the note payable is as follows at December 31, 2023:

2024	\$ <u>435,494</u>
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Note 6 - Concentrations

The Plan is nearly 100% invested in the Company's stock. Due to the level of risk associated with this stock, it is at least reasonably possible that changes in the value of the stock will occur in the near term and that such changes could materially affect the participants' account balances and the amounts reported in the statement of net assets available for benefits. The Plan received 100% of its contributions from the Company.

Note 7 - Plan Termination

Although it has not expressed any intent to do so, the Company reserves the right to terminate the Plan at any time, subject to Plan provisions. Upon termination of the Plan, the Employee Benefits Administration Committee directs the Trustee to pay all liabilities and expenses of the ESOP and to sell shares of financed common stock held as collateral to the extent it determines such sale to be necessary in order to repay the loan. Subsequently, the interest of each participant in the trust fund will be distributed to such participant or their beneficiary at the time prescribed by the Plan terms.

Note 8 - Tax Status

The Internal Revenue Service (IRS) has determined by an opinion letter dated June 30, 2020, that the Non-Standardized Pre-Approved Profit Sharing/ESOP Plan is designed in accordance with applicable sections of the IRC. Although the Plan has been amended since the date of the opinion letter; however, the Plan Administrator and the Plan's tax counsel believe that the Plan is currently designed and is being operated in compliance with the acceptable requirements of the IRC. Therefore, they believe the Plan is qualified, and the related trust is tax-exempt as of the financial statement date. No provision for income taxes has been included in the Plan's financial statements.

GAAP requires the Plan Administrator to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken a tax position that more likely than not would not be sustained upon examination by the IRS. The Plan Administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2023 and 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan does not currently have ERISA bond coverage but is actively pursuing the process to put one in place.

SHERWOOD MECHANICAL, INC. EMPLOYEE STOCK OWNERSHIP PLAN

Notes to Financial Statements

December 31, 2023 and 2022

Note 9 - Reconciliation of 2022 Financial Statements to Form 5500

The following is a reconciliation of assets and liabilities as of December 31, 2022 to Form 5500:

Total assets per financial statements	\$ 2,525,932
Less: Stock purchase liability	<u>(1,335,494)</u>
Total assets per the Form 5500	<u>\$ 1,190,438</u>
 Total liabilities per financial statements	 \$ 1,335,494
Less: Stock purchase liability	<u>(1,335,494)</u>
Total liabilities per the Form 5500	<u>\$ -</u>

SUPPLEMENTAL SCHEDULE

SHERWOOD MECHANICAL, INC. EMPLOYEE STOCK OWNERSHIP PLAN

EIN: 68-0565225 Plan: 001

Schedule H, Line 4i - Schedule of Assets (Held at End of Year)

Year Ended December 31, 2023

	(b)	(c)	(d)	(e)
(a)	Identity of issuer, borrower, lessor, or similar party	Description of investment including maturity date, rate of interest, collateral, par or maturity value	Cost	Current value
Common Stock:				
*	Sherwood Mechanical, Inc.	Common Stock-of no par voting 21,875 shares	\$ 1,335,469	\$ 1,187,594

* Designates a party-in-interest to the Plan

2023

Sherwood Mechanical, Inc. Employee Stock Ownership Plan

FINANCIAL STATEMENTS WITH SUPPLEMENTAL SCHEDULE

December 31, 2023 and 2022

SHERWOOD MECHANICAL, INC. EMPLOYEE STOCK OWNERSHIP PLAN

Financial Statements with Supplemental Schedule

December 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Trustees
Sherwood Mechanical, Inc. Employee Stock Ownership Plan
San Diego, California

Opinion on the 2023 Financial Statements

We have audited the accompanying financial statements of Sherwood Mechanical, Inc. Employee Stock Ownership Plan (the Plan), an employee benefit plan subject to the Employee Retirement Income Security Act of 1974 (ERISA), which comprise the statement of net assets available for benefits as of December 31, 2023, and the related statement of changes in net assets available for benefits for the year then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of Sherwood Mechanical, Inc. Employee Stock Ownership Plan as of December 31, 2023, and the changes in its net assets available for benefits for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion on the 2023 Financial Statements

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 2023 Financial Statements section of our report. We are required to be independent of Sherwood Mechanical, Inc. Employee Stock Ownership Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the 2023 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Management is also responsible for maintaining a current plan instrument, including all plan amendments, administering the plan, and determining that the plan's transactions that are presented and disclosed in the financial statements are in conformity with the plan's provisions, including maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants.

Auditor's Responsibilities for the Audit of the 2023 Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

INDEPENDENT AUDITOR'S REPORT, CONTINUED

Auditor's Responsibilities for the Audit of the 2023 Financial Statements, continued

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

2023 Supplemental Schedule Required by ERISA

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule of Schedule H, Line 4i - Schedule of Assets (Held at End of Year) as of December 31, 2023, is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with generally accepted auditing standards.

In forming our opinion on the supplemental schedule, we evaluated whether the supplemental schedule, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA.

In our opinion, the information in the accompanying schedule is fairly stated, in all material respects, in relation to the financial statements as a whole, and the form and content are presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA.

Auditor's Report on the 2022 Financial Statements

Predecessor auditors performed an audit of the 2022 financial statements of Sherwood Mechanical, Inc. Employee Stock Ownership Plan. In accordance with ERISA Section 103(a)(3)(C) pursuant to 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA, the prior year audit did not extend to any statements or information related to assets held for investment of the Plan that were certified by qualified institutions. Their report dated September 25, 2023, indicated that (a) the amounts and disclosures in the 2022 financial statements, other than those agreed to or derived from the certified investment information, were presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America, and (b) the information in the 2022 financial statements related to assets held by and certified to by qualified institutions agrees to, or is derived from, in all material respects, the information prepared and certified by an institution that management determined meets the requirements of ERISA Section 103(a)(3)(C).

INDEPENDENT AUDITOR'S REPORT, CONTINUED

Auditor's Report on the 2022 Financial Statements, continued

Their report also indicated that the form and content of the 2022 supplemental schedule, other than the information in the 2022 supplemental schedule that agrees to or is derived from the certified investment information, were presented, in all material respects, in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA, and the information in the 2022 supplemental schedule related to assets held by and certified to by a qualified institution agrees to, or is derived from, in all material respects, the information prepared and certified by an institution that management meets the requirements of ERISA Section 103(a)(3)(C).

Aldrich CPAs + Advisors LLP

San Diego, California
December 26, 2024

SHERWOOD MECHANICAL, INC. EMPLOYEE STOCK OWNERSHIP PLAN

Statements of Net Assets Available for Benefits

December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Investments, at fair value:		
Sherwood Mechanical, Inc. common stock	\$ 1,187,594	\$ 1,190,438
Non-Interest Bearing Cash:	437,994	994,551
Receivables:		
Employer contribution	-	340,943
Total Assets	<u>1,625,588</u>	<u>2,525,932</u>
LIABILITIES		
Stock Purchase Liability	<u>435,494</u>	<u>1,335,494</u>
Total Liabilities	<u>435,494</u>	<u>1,335,494</u>
Net Assets Available for Plan Benefits	<u>\$ 1,190,094</u>	<u>\$ 1,190,438</u>

SHERWOOD MECHANICAL, INC. EMPLOYEE STOCK OWNERSHIP PLAN

Statement of Changes in Net Assets Available for Benefits

Year Ended December 31, 2023

Additions to Net Assets Attributed to:

Employer contributions	\$ 8,389
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Net Additions	8,389
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Deductions from Net Assets Attributed to:

Net depreciation in fair value of investments	2,844
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Distributions	5,859
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Administrative expenses	30
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Total Deductions	8,733
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Change in Net Assets	(344)
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Net Assets Available for Benefits at Beginning of Year	1,190,438
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Net Assets Available for Benefits at End of Year	\$ 1,190,094
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SHERWOOD MECHANICAL, INC. EMPLOYEE STOCK OWNERSHIP PLAN

Notes to Financial Statements

December 31, 2023 and 2022

Note 1 - Description of the Plan

The following description of the Sherwood Mechanical, Inc. Employee Stock Ownership Plan (the Plan) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

General

The Plan is an employee stock ownership plan sponsored by Sherwood Mechanical, Inc. (the Company). The Plan operates as a leveraged employee stock ownership plan (ESOP) and is designed to comply with Section 4975(e)(7) and the regulations thereunder of the Internal Revenue Code of 1986, as amended (IRC) and is subject to the applicable provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

Eligibility

Employees of the Company over the age of 18 are generally eligible to participate in the Plan after one year of service providing, they worked at least 1,000 hours during such plan year. Participants who do not have at least 1,000 hours of service during such plan year, are not employed on the last working day of a plan year are generally not eligible for an allocation of Company contributions for such year. Employees who are covered by a collective bargaining agreement, non-resident aliens, independent contractors, and leased employees are not eligible to participate.

Contributions

The Company may make contributions to the plan in one or more installments without regard to its net profits for such year in such amounts as the Board may determine in its sole discretion. Participant contributions are not permitted.

Payment of Benefits

No distribution from the Plan will be made until a participant retires, becomes disabled, or deceased (in which case, payment shall be made to their beneficiary or, if none, their legal representatives), or otherwise terminates employment with the Company. Distributions are made in cash or stock as determined by the Trustees.

If a participant terminates employment with the Company prior to reaching retirement age, the distribution of their account balance will commence no later than the close of the fifth plan year following the plan year in which they terminated employment with the Company. All other distributions due to retirement, disability, or death will commence as soon as possible after the close of the plan year in which the participant terminated employment with the Company. Under the provisions of the Plan, the Company is obligated to repurchase participant shares, which have been distributed under the terms of the Plan if the shares are not publicly traded or if the shares are subject to trading limitations.

Effective January 1, 2023, if a participant terminates employment with the Company prior to reaching normal retirement age, the distribution of their account balance will commence after the participant incurs five consecutive one-year breaks in service. The Plan provides for a mandatory cash-out following severance of employment for vested account balances less than \$5,000.

Voting Rights

Shares of Company stock shall be voted by the Trustees. With respect to certain extraordinary transactions such as a merger, consolidation, recapitalization, reclassification, liquidation, dissolution, or sale of substantially all of the Company's assets, each participant is entitled to exercise voting rights attributable to the shares of Company stock allocated to their account. In other circumstances, the Trustee votes on behalf of the shares of the Company stock held by the Plan.

SHERWOOD MECHANICAL, INC. EMPLOYEE STOCK OWNERSHIP PLAN

Notes to Financial Statements

December 31, 2023 and 2022

Note 1 - Description of the Plan, continued

Participant Accounts

The Plan is a defined contribution plan in which a separate individual account is established for each participant. Each participant's account is credited as of the last day of each plan year with an allocation of shares of the Company's common stock released by the Trustee from the unallocated account and forfeitures of terminated participants' non-vested accounts. Participants must be eligible employees of the Company as of the last day of the plan year to receive an allocation, unless they are of normal retirement age or termination resulted from death or disability. If of normal retirement age, the participant will receive a final allocation for their last year of employment. Allocation is based on a participant's eligible compensation, relative to total eligible compensation.

Vesting

Vesting in the Company's contribution portion of their accounts is based on years of service. The vesting schedule is as follows:

<u>Year of Service</u>	<u>Vested%</u>
Less than two years	0%
Two years	20%
Three years	40%
Four years	60%
Five years	80%
Six or more years	100%

Put Option

Under federal income tax regulations, the Company's stock that is held by the Plan and its participants and is not readily tradable on an established market, or is subject to trading limitations, includes a put option. The put option is a right to demand that the Company buy any shares of its stock distributed to participants for which there is no market. The put price is representative of the current appraised value of the stock. The Company can pay for the purchase with interest over a period of five years. The purpose of the put option is to ensure that the participant has the ability to ultimately obtain cash.

Diversification

Diversification is offered to participants close to retirement so that they may have the opportunity to move part of the value of their investment in Company common stock into investments that are more diversified. Participants who are at least age 55 with at least 10 years of participation in the Plan, may elect to diversify a portion of their account. Diversification is offered to each eligible participant over a six-year period. During the first five years, a participant may diversify up to 25% of the number of shares allocated to their account, less any shares previously diversified. When participants reach age 60, the percentage changes to 50%. Participants who elect to diversify receive a cash distribution.

Forfeitures

Plan forfeitures are allocated to each participant's account based upon the relation of the participant's compensation to total compensation for the Plan year. There were no forfeitures allocated to participants during the year ended December 31, 2023 (\$11,234 during the year ended December 31, 2022).

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Plan are prepared on the accrual basis of accounting.

SHERWOOD MECHANICAL, INC. EMPLOYEE STOCK OWNERSHIP PLAN

Notes to Financial Statements

December 31, 2023 and 2022

Note 2 - Summary of Significant Accounting Policies, continued

Administration of Plan Assets

The Plan's assets, which consist primarily of Company common shares, are held by the Plan. Company contributions are held and managed by the Trustee, which invests cash received, interest, distributions, and dividend income and makes distributions to participants.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Allocations

The financial statements of the Plan present separately the assets and liabilities and changes therein pertaining to (a) the amounts of employees with rights in allocated stock ("allocated") and (b) stock not yet allocated to employees ("unallocated"), including shares that are committed to be released.

Investments Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net depreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Payments of Benefits

Benefits are recorded when paid.

Administrative Expenses

Certain administrative expenses incidental to the administration of the Plan may be paid by the Plan, unless otherwise paid by the Company. Administrative expenses paid by the Company are excluded from the financial statements.

Subsequent Events

The Plan has evaluated subsequent events through December 26, 2024, which is the date the financial statements were available to be issued.

Risks and Uncertainties

The Plan invests primarily in the common stock of the Company. The Plan also invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

SHERWOOD MECHANICAL, INC. EMPLOYEE STOCK OWNERSHIP PLAN

Notes to Financial Statements

December 31, 2023 and 2022

Note 3 - Non-Participant Directed Investments

The Plan's investment in Company stock is non-participant directed and represents more than 5% of net assets available for benefits. The estimated fair value of the Plan's investments in Sherwood Mechanical, Inc. common shares at December 31, 2023 is as follows:

	Allocated	Unallocated	Total
Number of shares	21,875	-	21,875
Cost	\$ 1,335,469	\$ -	\$ 1,335,469
Estimated fair value	\$ 1,187,594	\$ -	\$ 1,187,594

The estimated fair value of the Plan's investments in Sherwood Mechanical, Inc. common shares at December 31, 2022 is as follows:

	Allocated	Unallocated	Total
Number of shares	21,875	-	21,875
Cost	\$ 1,335,469	\$ -	\$ 1,335,469
Estimated fair value	\$ 1,190,438	\$ -	\$ 1,190,438

Note 4 - Fair Value Measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 - Inputs to the valuation methodology include: 1) quoted prices for similar assets or liabilities in active markets; 2) quoted prices for identical or similar assets or liabilities in inactive markets; 3) inputs other than quoted prices that are observable for the asset or liability; 4) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

SHERWOOD MECHANICAL, INC. EMPLOYEE STOCK OWNERSHIP PLAN

Notes to Financial Statements

December 31, 2023 and 2022

Note 4 - Fair Value Measurements, continued

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2023 and 2022.

Sherwood Mechanical, Inc. common stock: Valued based on independent appraiser's valuation of the Company. The independent appraiser used two different appraisal approaches (income and market) when valuing the shares.

The following tables set forth by level, within the fair value hierarchy, the Plan's assets at fair value:

	Investments at Fair Value as of December 31, 2023			
	Level 1	Level 2	Level 3	Total
Sherwood Mechanical, Inc. common stock	\$ -	\$ -	\$ 1,187,594	\$ 1,187,594
Total investments at fair value	\$ -	\$ -	\$ 1,187,594	\$ 1,187,594

	Investments at Fair Value as of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Sherwood Mechanical, Inc. common stock	\$ -	\$ -	\$ 1,190,438	\$ 1,190,438
Total investments at fair value	\$ -	\$ -	\$ 1,190,438	\$ 1,190,438

Level 3 Fair Value Measurements

The fair value of Sherwood Mechanical, Inc. common stock is determined by an annual independent appraisal. Two different appraisal approaches (income and market) were examined when valuing shares. It was determined that a weighted average method using both the income approach and market was the most relevant because of the Company specific internal and external factors incorporated into the data that were part of its calculations. The appraiser took into account historical and projected cash flow, net working capital, net income, market comparable, and estimated fair value of Company assets and liabilities.

The following table provides further details of this Level 3 fair value measurement:

	Sherwood Mechanical, Inc. Common Stock
Beginning balance	\$ 1,190,438
Total gains or losses for the period included in changes in net assets available for benefits attributable to the change in unrealized gains or losses relating to investments still held at the reporting date	(2,844)
Ending balance	\$ 1,187,594

SHERWOOD MECHANICAL, INC. EMPLOYEE STOCK OWNERSHIP PLAN

Notes to Financial Statements

December 31, 2023 and 2022

Note 5 - Stock Purchase Liability

During 2022, the ESOP purchased shares of Company common stock from a shareholder in exchange for a non-interest bearing note payable equal to the aggregate amount owed for the stock purchased. Subsequent to year-end, \$435,494 has been paid to the shareholder from the Plan on the outstanding note payable.

The scheduled amortization of the note payable is as follows at December 31, 2023:

2024	\$ <u>435,494</u>
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Note 6 - Concentrations

The Plan is nearly 100% invested in the Company's stock. Due to the level of risk associated with this stock, it is at least reasonably possible that changes in the value of the stock will occur in the near term and that such changes could materially affect the participants' account balances and the amounts reported in the statement of net assets available for benefits. The Plan received 100% of its contributions from the Company.

Note 7 - Plan Termination

Although it has not expressed any intent to do so, the Company reserves the right to terminate the Plan at any time, subject to Plan provisions. Upon termination of the Plan, the Employee Benefits Administration Committee directs the Trustee to pay all liabilities and expenses of the ESOP and to sell shares of financed common stock held as collateral to the extent it determines such sale to be necessary in order to repay the loan. Subsequently, the interest of each participant in the trust fund will be distributed to such participant or their beneficiary at the time prescribed by the Plan terms.

Note 8 - Tax Status

The Internal Revenue Service (IRS) has determined by an opinion letter dated June 30, 2020, that the Non-Standardized Pre-Approved Profit Sharing/ESOP Plan is designed in accordance with applicable sections of the IRC. Although the Plan has been amended since the date of the opinion letter; however, the Plan Administrator and the Plan's tax counsel believe that the Plan is currently designed and is being operated in compliance with the acceptable requirements of the IRC. Therefore, they believe the Plan is qualified, and the related trust is tax-exempt as of the financial statement date. No provision for income taxes has been included in the Plan's financial statements.

GAAP requires the Plan Administrator to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken a tax position that more likely than not would not be sustained upon examination by the IRS. The Plan Administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2023 and 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan does not currently have ERISA bond coverage but is actively pursuing the process to put one in place.

SHERWOOD MECHANICAL, INC. EMPLOYEE STOCK OWNERSHIP PLAN

Notes to Financial Statements

December 31, 2023 and 2022

Note 9 - Reconciliation of 2022 Financial Statements to Form 5500

The following is a reconciliation of assets and liabilities as of December 31, 2022 to Form 5500:

Total assets per financial statements	\$ 2,525,932
Less: Stock purchase liability	<u>(1,335,494)</u>
Total assets per the Form 5500	<u>\$ 1,190,438</u>
 Total liabilities per financial statements	 \$ 1,335,494
Less: Stock purchase liability	<u>(1,335,494)</u>
Total liabilities per the Form 5500	<u>\$ -</u>

SUPPLEMENTAL SCHEDULE

SHERWOOD MECHANICAL, INC. EMPLOYEE STOCK OWNERSHIP PLAN

EIN: 68-0565225 Plan: 001

Schedule H, Line 4i - Schedule of Assets (Held at End of Year)

Year Ended December 31, 2023

	(b)	(c)	(d)	(e)
(a)	Identity of issuer, borrower, lessor, or similar party	Description of investment including maturity date, rate of interest, collateral, par or maturity value	Cost	Current value
Common Stock:				
*	Sherwood Mechanical, Inc.	Common Stock-of no par voting 21,875 shares	\$ 1,335,469	\$ 1,187,594

* Designates a party-in-interest to the Plan