CU*SOUTH, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED
SEPTEMBER 30, 2021 AND 2020

Hauser
Jones & Sas

CU*SOUTH, INC.

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Hauser Jones & Sas

Certified Public Accountants
& Trusted Advisors

10940 NE 33rd Place
Suite 100
Bellevue, WA 98004

P 425.889.1778
F 425.889.1178

INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders
CU*SOUTH, Inc.
Fairhope, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of CU*SOUTH, Inc. (a corporation), which comprise the balance sheets as of September 30, 2021 and 2020, and the related statements of income, changes in stockholders' equity, and cash flows for the years 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 financial position of CU*SOUTH, Inc. as of September 30, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Financial Statements section of our report. We are required to be independent of CU*SOUTH, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes 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 CU*SOUTH, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as 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 s 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, including omissions, are considered material if there is a substantial likelihood that, individual or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement 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 CU*SOUTH, Inc.'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about CU*SOUTH, Inc.'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.

HAUSER JONES & SAS PLLC

Hauser Jones and Sas PLLC

Bellevue, Washington
February 21, 2022

CU*SOUTH, INC.
BALANCE SHEETS
SEPTEMBER 30, 2021 AND 2020

ASSETS

	2021	2020
CURRENT ASSETS		
Cash	$ 2,310,914	$ 1,796,946
Trade accounts receivable	717,959	532,599
Prepaid expenses	89,119	102,983
Deferred income tax	2,010	33,000
Related party note receivable	12,000	24,000
Income tax receivable	10,830	9,810
Total current assets	3,142,832	2,499,338
NONCURRENT ASSETS		
Goodwill	3,748,000	3,748,000
Property and equipment net of accumulated depreciation and amortization	216,312	196,807
Deferred contract acquisition costs	80,692	-
Equity securities	25,000	25,000
Total noncurrent assets	4,070,004	3,969,807
Total assets	$ 7,212,836	$ 6,469,145

LIABILITIES AND STOCKHOLDERS' EQUITY

	2021	2020
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 562,542	$ 439,529
Deferred income	587,258	335,259
SBA PPP stimulus loan	-	445,800
Income taxes payable	15,402	-
Current portion of related party long-term debt	125,000	125,000
Total current liabilities	1,290,202	1,345,588
NONCURRENT LIABILITIES		
Related party long-term debt, less current maturities	875,000	1,000,000
Deferred income tax	134,968	83,000
Total noncurrent liabilities	1,009,968	1,083,000
Total liabilities	2,300,170	2,428,588
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common stock - Class A	3,743,917	3,529,729
Retained earnings	1,168,749	510,828
Total stockholders' equity	4,912,666	4,040,557
Total liabilities and stockholders' equity	$ 7,212,836	$ 6,469,145

The accompanying notes are an integral part of these financial statements.

CU*SOUTH, INC.
STATEMENTS OF INCOME
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
INCOME		
CU*Base software, support, and network services	$ 2,158,518	$ 1,956,417
Cards and shared branching processing fees	1,535,973	1,355,887
Managed services	1,507,718	1,057,199
CU*Answers Pass-through billing revenue	1,076,007	1,196,263
Member self-service	483,315	460,385
CU*Base operation fees	483,248	445,315
Other	347,762	342,929
Total income	7,592,541	6,814,395
COST OF SERVICES AND PROCESSING		
CU*Answers online licensing and processing	1,581,389	1,486,899
CU*Answers Pass-through billing expense	1,056,086	1,210,164
Managed services	240,597	41,796
Site Four operations services	442,801	416,856
Other costs of sales	116,103	48,101
Total cost of services and processing	3,436,976	3,203,816
GROSS PROFIT	4,155,565	3,610,579
OPERATING EXPENSES		
Salaries and benefits	2,788,718	2,627,543
Office occupancy	200,181	191,917
Professional fees	202,026	187,709
Sales, marketing, and communications	147,964	109,612
Operating expense	137,867	79,846
Administrative	108,080	64,385
Collaborative services expense	107,668	56,995
Insurance	27,747	21,974
Total operating expenses	3,720,251	3,339,981
OTHER INCOME (EXPENSE)		
SBA PPP Loan Forgiveness	445,800	-
Interest income	7,795	5,627
Interest expense	-	(1,966)
Income tax expense	(103,555)	(50,000)
Total other income (expense)	350,040	(46,339)
NET INCOME	$ 785,354	$ 224,259

The accompanying notes are an integral part of these financial statements.

CU*SOUTH, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	Common Stock			Retained	
	Shares	**Class A**	**Class B**	**Earnings**	**Total**
Balance, September 30, 2019	61	$ 1,470,000	$ 2,000	$ 316,474	$ 1,788,474
Common stock					
Class A issued	44	2,200,000	-	-	2,200,000
Class A & B redemptions	(14)	(140,271)	(2,000)	-	(142,271)
Comprehensive income					
Net income	-	-	-	224,259	224,259
Dividends paid	-	-	-	(29,905)	(29,905)
Balance, September 30, 2020	91	3,529,729	-	510,828	4,040,557
Common stock					
Class A issued	9	675,000	-	-	675,000
Class A redemptions	(7)	(310,812)	-	-	(310,812)
Class A cancellations	(3)	(150,000)	-	-	(150,000)
Comprehensive income					
Net income	-	-	-	785,354	785,354
Dividends paid	-	-	-	(127,433)	(127,433)
Balance, September 30, 2021	90	$ 3,743,917	$ -	$ 1,168,749	$ 4,912,666

The accompanying notes are an integral part of these financial statements.

CU*SOUTH, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
OPERATING ACTIVITIES		
Net income	$ 785,354	$ 224,259
Depreciation and amortization	68,127	50,359
Deferred income tax expense	82,958	50,000
PPP loan forgiveness	(445,800)	-
Net change in:		
Receivables	(185,360)	(269,802)
Prepaid expenses	13,864	(34,793)
Related party notes receivable	12,000	791,200
Income tax receivable/payable	14,382	(38,283)
Accounts payable and accrued expenses	123,013	(170,237)
Deferred income	251,999	335,259
Deferred contract acquisition costs	(80,692)	-
Net cash provided by operating activities	639,845	937,962
INVESTING ACTIVITIES		
Cash paid for GDS acquisition	-	(1,498,000)
Purchase of property and equipment	(87,632)	(21,178)
Net cash used by investing activities	(87,632)	(1,519,178)
FINANCING ACTIVITIES		
Dividends paid	(127,433)	(29,905)
Payments on long-term debt	(125,000)	(1,375,000)
Proceeds from SBA PPP stimulus loan	-	445,800
Proceeds from Class A common stock issuance	675,000	2,200,000
Common stock redeemed and cancelled	(460,812)	(142,271)
Net cash provided (used) by financing activities	(38,245)	1,098,624
NET INCREASE IN CASH	513,968	517,408
CASH		
Beginning of year	1,796,946	1,279,538
End of year	$ 2,310,914	$ 1,796,946
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS		
Goodwill acquired in exchange for seller note payable	$ -	$ 2,250,000
Fixed and other assets acquired with seller note payable	$ -	$ 250,000
Cash paid during the year for income taxes	$ -	$ 45,000

The accompanying notes are an integral part of these financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of CU*SOUTH, Inc. (the Company) is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Nature of Operations

The Company is a credit union service organization (CUSO) that provides a variety of services to its credit union customers, many of whom are also the Class A stockholders of the Company. These services include, but are not limited to, processing credit union member statements, processing transactions such as check, ACH, ATM, and Debit entries, and providing technical support to the credit unions. The Company provides credit in the normal course of business to its customers and performs ongoing credit evaluations of those customers. Credit losses, if any, have been within the range of the Company's expectations and have not been significant.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

The most significant estimates include the valuation of goodwill, the carrying amount of contract acquisition costs and deferred income, the allowance for doubtful accounts on trade accounts receivable, the useful lives of property and equipment, and the valuation of deferred tax assets.

Reclassification

Certain accounts in the prior year financial statements may have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Trade Accounts Receivable

Accounts receivable are recorded at the amount the Company expects to collect on balances outstanding at year-end. Management closely monitors outstanding balances and writes off, as of year-end, all balances that are deemed to be uncollectible. Management considers all trade accounts receivable fully collectible at September 30, 2021 and 2020.

Advertising Costs

Advertising and sales costs were $147,964 and $109,612 for the years ended September 30, 2021 and 2020, respectively.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of federal and state income taxes currently due.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

The Company generates services and support revenue through software licensing and related services, outsourcing core and complementary software solutions, professional services, and hardware sales. The Company generates processing revenue through processing of remittance transactions, card transactions and monthly fees, and digital transactions.

Identification of Performance Obligations

The Company enters into contracts with customers that may include multiple types of goods and services. At contract inception, the Company assesses the solutions and services promised in its contracts with customers and identifies a performance obligation for each promise to transfer to the customer a solution or service (or bundle of solutions or services) that is distinct - that is, if the solution or service is separately identifiable from other items in the arrangement and if the customer can benefit from the solution or service on its own or together with other resources that are readily available. Significant judgment is used in the identification and accounting for all performance obligations. The Company recognizes revenue when or as it satisfies each performance obligation by transferring control of a solution or service to the customer.

Determination of Transaction Price

The amount of revenue recognized is based on the consideration the Company expects to receive in exchange for transferring goods and services to the customer. The Company's contracts with its customers frequently contain some component of variable consideration. The Company estimates variable consideration in its contracts primarily using the expected value method, based on both historical and current information. Significant judgment is used in the estimate of variable consideration of customer contracts that are long-term and include uncertain transactional volumes.

Taxes collected from customers and remitted to governmental authorities are not included in revenue. The Company includes reimbursements from customers for expenses incurred in providing services (such as for postage, travel, and telecommunications costs) in revenue, while the related costs are included in cost of revenue. Technology or service components from third parties are frequently included in or combined with the Company's applications or service offerings. Whether the Company recognizes revenue based on the gross amount billed to the customer or the net amount retained involves judgment in determining whether the Company controls the good or service before it is transferred to the customer. This assessment is made at the performance obligation level.

Allocation of Transaction Price

The transaction price, once determined, is allocated between the various performance obligations in the contract based upon their relative standalone selling prices. The standalone selling prices are determined based on the prices at which the Company separately sells each good or service. For items that are not sold separately, the Company estimates the standalone selling prices using all information that is reasonably available, including reference to historical pricing data.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following describes the nature of the Company's primary types of revenue:

Processing

Processing revenue is generated from transaction-based fees for electronic deposit and payment services, electronic funds transfers and debit and credit card processing. The Company's arrangements for these services typically require the Company to "stand ready" to provide specific services on a when and if needed basis by processing an unspecified number of transactions over the contractual term. The fees for these services may be fixed or variable (based upon performing an unspecified quantity of services), and pricing may include tiered pricing structures. Amounts of revenue allocated to these services are recognized as those services are performed. Customers are typically billed monthly for transactions processed during the month. The Company evaluates tiered pricing to determine if a material right exists. If, after that evaluation, it determines a material right does exist, it assigns value to the material right based upon standalone selling price after estimation of breakage associated with the material right.

Outsourcing and Cloud

Outsourcing and cloud revenue is generated from data and item processing services and hosting fees. The Company's arrangements for these services typically require the Company to "stand-ready" to provide specific services on a when and if needed basis. The fees for these services may be fixed or variable (based upon performing an unspecified quantity of services), and pricing may include tiered pricing structures. Amounts of revenue allocated to these services are recognized as those services are performed. Data and item processing services are typically billed monthly. The Company evaluates tiered pricing to determine if a material right exists. If, after that evaluation, it determines a material right does exist, it assigns value to the material right based upon standalone selling price.

Product Delivery and Services

Product delivery and services revenue is generated primarily from software licensing and related professional services and hardware delivery. Software licenses, along with any professional services from which they are not considered distinct, are recognized as they are delivered to the customer. Hardware revenue is recognized upon delivery. Professional services that are distinct are recognized as the services are performed. Deconversion fees are also included within product delivery and services and are considered a contract modification. Therefore, the Company recognizes these fees over the remaining modified contract term.

In-House Support

In-house support revenue is generated from software maintenance for ongoing client support and software usage, which includes a license and ongoing client support. The Company's arrangements for these services typically require the Company to "stand ready" to provide specific services on a when and if needed basis. The fees for these services may be fixed or variable (based upon performing an unspecified quantity of services). Software maintenance fees are typically billed to the customer annually in advance and recognized ratably over the maintenance term. Software usage is typically billed annually in advance, with the license delivered and recognized at the outset, and the maintenance fee recognized ratably over the maintenance term. Accordingly, the Company applies the practical expedient which allows entities to disregard the effects of a financing component when the contract period is one year or less.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contract Costs

The Company incurs incremental costs to obtain a contract as well as costs to fulfill contracts with customers that are expected to be recovered. These costs consist primarily of sales commissions, which are incurred only if a contract is obtained, and customer conversion or implementation related costs. Capitalized costs are amortized based on the transfer of goods or services to which the asset relates, in line with the percentage of revenue recognized for each performance obligation to which the costs are allocated. In general, sales commissions are amortized over the life of the contract while conversion costs are amortized over the expected conversion period of 6 months.

Embedded Software Reseller Fees

The Company has entered into a software licensing agreement with CU*Answers, a software development company, to resell the CU*Base software as a service. The Company pays CU*Answers a monthly royalty and licensing fee based on the volume of end users who are signed up to use the CU*Base software and related ancillary software programs. The Company has discretion in establishing its CU*Base licensing fees and the underlying terms and conditions with its customers and therefore reports embedded software reseller fees at gross amounts.

Computer Software Development

The Company capitalizes new product development costs incurred for software to be sold from the point at which technological feasibility has been established through the point at which the product is ready for general availability. Software development costs that are capitalized are evaluated on a product-by-product basis annually and are assigned an estimated economic life based on the type of product, market characteristics, and maturity of the market for that particular product. These costs are amortized based on current and estimated future revenue from the product or on a straight-line basis, whichever yields greater amortization expense. All of this amortization expense is included within components of operating income, primarily cost of revenue.

For internal use software, capitalization begins at the beginning of application development. Costs incurred prior to this are expensed as incurred. Significant estimates and assumptions include determining the appropriate amortization period based on the estimated useful life and assessing the unamortized cost balances for impairment. Amortization begins on the date the software is placed in service and the amortization period is based on estimated useful life.

A significant change in an estimate related to one or more software products could result in a material change to our results of operations.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Subsequent events are transactions or events that occur after the balance sheet date but before financial statements are issued. The Company recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial condition, including estimates inherent in the process of preparing the financial statements. The Company's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the statement of financial condition date but arose afterwards and before the financial statements are available to be issued. See Note 14 – *Subsequent Events* for further discussion.

The Company has evaluated subsequent events through February 21, 2022, the date of the financial statements were available to be issued.

Accounting Standards Pending Adoption

Lease Accounting – Beginning in October 2022, the Company will adopt the new accounting standards that require lessees to recognize operating leases on the Balance Sheet as right-of-use assets and lease liabilities based on the value of the discounted future lease payments. Expanded disclosures about the nature and terms of leases will also be required prospectively. Adoption of the new lease accounting standard is being evaluated by the Company.

NOTE 2 – TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable include amounts due from related-party credit union clients with Common Stock Class A Ownership and from credit union clients with no common stock ownership. The total amounts owing are as follows at September 30:

	2021	2020
Related-party trade accounts receivable	$ 314,460	$ 222,635
Trade accounts receivable	403,499	309,964
Total	$ 717,959	$ 532,599

Management believes all accounts receivable are fully collectible.

NOTE 3 – RELATED PARTY NOTES RECEIVABLE

Related party notes receivable consists of the following at September 30:

	2021	2020
Due from GDS	$ 12,000	$ 24,000

NOTE 3 – RELATED PARTY NOTES RECEIVABLE (Continued)

At September 30, 2021, the amount due from GDS, Inc. (a related party owned by the Company's CEO) is an advance compensation payment to the CEP, and was made in connection with renewal of the Company's lease agreement with GDS. There are no terms of repayment but the original amount of $36,000 amortizes to lease expense monthly for 36 months.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30:

	2021	2020
Furniture, fixtures, and equipment	$ 136,017	$ 136,017
Computers and software	198,781	111,149
Total property and equipment	334,798	247,166
Accumulated depreciation	(118,486)	(50,359)
Property and equipment, net	$ 216,312	$ 196,807

Depreciation expense for the period ended September 30, 2021 and 2020, was $68,127 and $50,359 respectively.

NOTE 5 – EQUITY SECURITIES

Equity securities are non-marketable and consist of a $25,000 investment in Site-Four, LLC, a CUSO organized to provide third party data hosting services to credit unions. The investment is accounted for under the cost method.

The Company also maintains a master services agreement with Site-Four, LLC for co-location services, hosting, and maintenance.

NOTE 6 – SBA PPP STIMULUS LOAN

On April 22, 2020, the Company received a Small Business Administration (SBA) Payroll Protection Program (PPP) stimulus loan in the amount of $445,800. The loan bears interest at 1% and has a two-year term with principal and interest payments deferred. Interest begins accruing immediately upon receiving the funds. The Company received full forgiveness of the loan principal and interest on August 2, 2021, as they met the requirements of how the loan funds were to be spent.

NOTE 7 – REVOLVING CREDIT FACILITIES FROM RELATED PARTIES

The Company has a $100,000 revolving line of credit with Aneca Federal Credit Union, a related party as an owner, customer and holding a board member position, bearing interest at 7.99% per annum, with minimum monthly payments of interest only, secured by Uniform Commercial Code (UCC) filings on accounts receivable, property and equipment. The note is currently extended through January 28, 2023.

NOTE 7 – REVOLVING CREDIT FACILITIES FROM RELATED PARTIES (Continued)

In addition, during the year ended September 30, 2021 the Company obtained credit cards from Aneca Federal Credit Union for use by select employees in carrying out official Company business. The credit cards have a total combined credit limit of $171,000 and bear interest at 7.99% with minimum payments due monthly. All required minimum monthly payments are made by the Company. Total balances owing to Aneca FCU amounted to $54,780 as of September 30, 2021.

NOTE 8 – LONG-TERM DEBT PAYABLE TO RELATED PARTY

The Company funded its purchase of GDS, Inc. with a combination of cash and a $2,500,000 noninterest bearing note payable to seller requiring minimum annual payments of $277,778 over an eight-year period. During the year ended September 30, 2020, the Company made accelerated payments on the note totaling $1,375,000, and on September 24, 2020 the note payable was modified, requiring nine (9) equal payments of $125,000 beginning on September 30, 2021. Based on its incremental borrowing rate of approximately 0.75% passed through from its credit union owners, management has judged the imputed interest on the note payable to be immaterial to the financial statements taken as a whole. The low incremental borrowing rate is applicable because of the Company's ready access to low-cost funding from its related party credit union stockholders.

Year Ending September 30,	Amount
2022	$ 125,000
2023	125,000
2024	125,000
2025	125,000
2026	125,000
Thereafter	375,000
Total	$ 1,000,000

NOTE 9 – STOCKHOLDERS' EQUITY

Under the articles of incorporation and bylaws of the Company, you must be a natural person credit union customer purchasing data processing services in order to hold Class A stock. However, there is no requirement for a customer to be a stockholder; consequently some, but not all, customers are also stockholders. Stockholders' Equity consists of two classes of stock: 1) Class A voting and 2) Class A non-voting. The Company bylaws were amended to eliminate Class B stock during the year ended September 30, 2020.

NOTE 9 – STOCKHOLDERS' EQUITY (Continued)

The following table summarizes total Stockholders' Equity as of September 30:

	2021	2020
Class A Shares		
No Par Common Stock Class A - Voting, 500 shares authorized, 20 shares in 2021 and 21 shares in 2020 issued and outstanding, respectively	$ 780,000	$ 670,000
No Par Common Stock Class A - Non-voting, 4,500 shares authorized, 70 shares issued and outstanding in 2021 and 2020, respectively	2,963,917	2,859,729
Total Class A Shares	$ 3,743,917	$ 3,529,729

NOTE 10 – CONCENTRATIONS

The Company maintains cash in two credit unions. All accounts are insured up to $250,000. For the years ended September 30, 2021 and 2020, the Company had $1,960,244 and $1,546,946, respectively, in excess of the FDIC insurance limits.

NOTE 11 – RELATED PARTY TRANSACTIONS

The Company's related parties include its Class A Stockholders who are also credit union customers of the Company. As described in Note 13, beginning October 1, 2019 the Company leases its operations and headquarter facilities from GDS, Inc. Related parties also include Site-Four, LLC, which provides site-hosting and data replication services for the Company and is 20% owned by the Company.

In the normal course of business, the Company provides data hosting services to these related parties or obtains services from these related parties (as vendors) for the performance of outsourced services. At times, the Company will also record accounts receivable owing from its related-party customers or record accounts payable to its related party vendors.

The following table summarizes related party balances and transactions for the years ended September 30:

	2021	2020
Accounts receivable owing from related party stockholders	$ 314,460	$ 222,635
Accounts payable owing to related parties	$ 47,845	$ 34,940
Credit card payable to related party	$ 54,780	$ 22,985
Total revenue earned from related party stockholders	$ 3,189,448	$ 3,523,799
Total expenses incurred to related party	$ 431,077	$ 666,208
Deposits held at Aneca FCU	$ 2,210,244	$ 1,750,218

Also, as discussed in Note 3, the Company has a note receivable due from GDS, Inc. at September 30, 2021 and 2020 in the amount of $12,000 and $24,000, respectively.

NOTE 11 – RELATED PARTY TRANSACTIONS (Continued)

The Company redeemed 10 shares of Class A common stock from five owners/customers for $460,812 with an original purchase price of $340,000, and simultaneously issued 9 shares of Class A Common Stock at $75,000 per share for a net increase in the owner/customer Class A Common Stock account of $214,188.

The Company cancelled 3 Non-Voting Class A Common Stock at a price of $50,000 per share due to regulatory limitations after an NCUA review of the credit union. The investment was returned, but the credit union remains an owner with 1 share of Voting Class A Common Stock.

NOTE 12 – INCOME TAXES AND DEFERRED INCOME TAXES

The net deferred tax asset (liability) in the accompanying balance sheets include the following amounts of deferred tax assets and liabilities at September 30:

	2021	2020
Deferred tax liability	$ (134,968)	$ (83,000)
Deferred tax assets	2,010	33,000
Total	$ (132,958)	$ (50,000)

The deferred tax liability results from the use of accelerated methods of depreciation of property and equipment and due to the amortization of goodwill for tax purposes. The deferred tax asset results from a net operating loss carryforward of approximately $75,000 and $150,000 at September 30, 2021 and 2020, respectively, which can be used to offset future taxable income. Tax expense reported on the statements of income result from changes in deferred tax items.

Uncertain Tax Positions

Management has determined that the Company does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures.

Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Company's tax returns will not be challenged by the taxing authorities and that the Company or its shareholders will not be subject to additional tax, penalties, and interest as a result of such challenge. Generally, the Company's tax returns remain open for three years for federal income tax examination.

NOTE 13 – LEASES, COMMITMENTS AND CONTINIGENCIES

Effective October 1, 2019 the Company entered into a 3-year lease agreement for its headquarters and processing facilities with GDS, Inc. that includes 3 optional renewal periods of three years each. Terms of the agreement require monthly payments of $15,177. The lease agreement includes $36,000 of incentives payable to the Company in equal monthly installments. The incentive will provide a monthly offset payment equal to $1,000 per month for the first 36 months of the lease term.

NOTE 13 – LEASES, COMMITMENTS AND CONTINIGENCIES (Continued)

The future minimum lease payments for the fiscal years ending September 30, are expected to be as follows:

Year Ending September 30,	Amount
2022	$ 182,122
2023	187,586
2024	187,586
2025	187,586
2026	-
Thereafter	-
Total	$ 744,881

Subsequent to year end, the Company entered into an agreement with GDS, Inc to extend terms through September 30, 2025. The revised lease agreement requires minimum monthly lease payments of $15,632, which are reflected in the minimum lease payment schedule above.

The Company is a party to various legal actions associated with collections of past-due accounts and other business activities of data processing centers, the aggregate effect of which, in management's opinion, would not have a material, adverse effect on the financial condition or results of operations of the Company.

Hauser
Jones & Sas

Certified Public Accountants
& Trusted Advisors

10940 NE 33rd Place
Suite 100
Bellevue, WA 98004

P 425.889.1778
F 425.889.1178

hauserjonesandsas.com