

**XTEND, INC.**

**FINANCIAL STATEMENTS**  
September 30, 2021 and 2020

XTEND, INC.  
Grand Rapids, Michigan

FINANCIAL STATEMENTS  
September 30, 2021 and 2020

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors and Shareholders  
Xtend, Inc.  
Grand Rapids, Michigan

**Report on the Financial Statements**

We have audited the accompanying financial statements of Xtend, Inc., which comprise the balance sheets as of September 30, 2021 and 2020, and the related statements of income, stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

***Management's Responsibility 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.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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(Continued)

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Xtend, 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.

*Crowe LLP*

Crowe LLP

Grand Rapids, Michigan  
November 16, 2021

XTEND, INC.  
BALANCE SHEETS  
September 30, 2021 and 2020

|  | <u>2021</u>         | <u>2020</u>         |
|--|---------------------|---------------------|
| <b>ASSETS</b>  |                     |                     |
| Current assets   |                     |                     |
| Cash and cash equivalents  | \$ 1,803,448        | \$ 1,376,894        |
| Certificates of deposit  | 490,177             | 490,105             |
| Accounts receivable  | 396,045             | 282,555             |
| Accounts receivable - related party (Note 6)   | 54,263              | 44,888              |
| Prepaid expenses   | 186,387             | 95,109              |
| Income taxes receivable  | <u>107,298</u>      | <u>38,998</u>       |
| Total current assets   | 3,037,618           | 2,328,549           |
| Property, plant and equipment  |                     |                     |
| Equipment  | 97,756              | 68,604              |
| Furniture and fixtures   | 378,205             | 167,611             |
| Capital leases   | 86,993              | 93,495              |
| Leasehold improvements   | 26,812              | 1,200               |
| Software   | <u>42,110</u>       | <u>29,794</u>       |
|  | 631,876             | 360,704             |
| Less accumulated depreciation and amortization   | <u>(270,810)</u>    | <u>(220,866)</u>    |
|  | <u>361,066</u>      | <u>139,838</u>      |
|  | <u>\$ 3,398,684</u> | <u>\$ 2,468,387</u> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                     |                     |
| Current liabilities  |                     |                     |
| Accounts payable   | \$ 58,362           | \$ 26,953           |
| Accounts payable - related party (Note 6)  | 40,142              | 20,582              |
| Current portion of capital lease obligation  | 27,864              | 22,951              |
| Dividend payable   | 354,269             | 213,885             |
| Other liabilities  | 238,267             | 172,178             |
| Deferred revenue   | <u>7,125</u>        | <u>6,578</u>        |
| Total current liabilities  | 726,029             | 463,127             |
| Long-term liabilities  |                     |                     |
| Capital lease obligation   | 21,716              | 31,797              |
| Deferred income taxes (Note 4)   | <u>92,600</u>       | <u>48,500</u>       |
|  | 114,316             | 80,297              |
| Stockholders' equity   |                     |                     |
| Common stock - no par value, 60,000 shares authorized,<br>shares issued and outstanding: 18,400 and 16,000 at<br>September 30, 2021 and 2020, respectively | 1,944,269           | 1,310,893           |
| Retained earnings  | <u>614,070</u>      | <u>614,070</u>      |
|  | <u>2,558,339</u>    | <u>1,924,963</u>    |
|  | <u>\$ 3,398,684</u> | <u>\$ 2,468,387</u> |

See accompanying notes to financial statements.

XTEND, INC.  
STATEMENTS OF INCOME  
Years ended September 30, 2021 and 2020

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|  | <u>2021</u>       | <u>2020</u>       |
|--|-------------------|-------------------|
| <b>Revenues</b> (Notes 6 and 8)                    | \$ 4,502,324      | \$ 3,996,544      |
| Cost of sales                                      | <u>315,545</u>    | <u>296,218</u>    |
| <b>Gross margin</b>                                | 4,186,779         | 3,700,326         |
| Operating expenses                                 | <u>3,723,565</u>  | <u>3,219,822</u>  |
| <b>Income before other income and income taxes</b> | 463,214           | 480,504           |
| Other income                                       |                   |                   |
| Interest income                                    | <u>1,855</u>      | <u>8,443</u>      |
| <b>Income before income taxes</b>                  | 465,069           | 488,947           |
| Provision for income taxes (Note 4)                | <u>110,800</u>    | <u>118,500</u>    |
| <b>Net income</b>                                  | <u>\$ 354,269</u> | <u>\$ 370,447</u> |

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See accompanying notes to financial statements.

XTEND, INC.  
 STATEMENTS OF STOCKHOLDERS' EQUITY  
 Years ended September 30, 2021 and 2020

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|  | <u>Common<br/>Stock</u> | <u>Retained<br/>Earnings</u> | <u>Total</u>            |
|--|-------------------------|------------------------------|-------------------------|
| <b>Balance, October 1, 2019</b>          | \$ 1,258,800            | \$ 457,508                   | \$ 1,716,308            |
| Issuance of 400 shares of common stock   | 95,000                  | -                            | 95,000                  |
| Redemption of 400 shares of common stock | (42,907)                |                              | (42,907)                |
| Dividends declared                       | -                       | (213,885)                    | (213,885)               |
| Net income                               | <u>-</u>                | <u>370,447</u>               | <u>370,447</u>          |
| <br><b>Balance, September 30, 2020</b>   | <br>1,310,893           | <br>614,070                  | <br>1,924,963           |
| Issuance of 2800 shares of common stock  | 681,500                 | -                            | 681,500                 |
| Redemption of 400 shares of common stock | (48,124)                | -                            | (48,124)                |
| Dividends declared                       | -                       | (354,269)                    | (354,269)               |
| Net income                               | <u>-</u>                | <u>354,269</u>               | <u>354,269</u>          |
| <br><b>Balance, September 30, 2021</b>   | <br><u>\$ 1,944,269</u> | <br><u>\$ 614,070</u>        | <br><u>\$ 2,558,339</u> |

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See accompanying notes to financial statements.

XTEND, INC.  
STATEMENTS OF CASH FLOWS  
Years ended September 30, 2021 and 2020

|   | <u>2021</u>                | <u>2020</u>                |
|---|----------------------------|----------------------------|
| <b>Cash flows from operating activities</b>                                 |                            |                            |
| Net income  | \$ 354,269                 | \$ 370,447                 |
| Adjustments to reconcile net income to net cash from operating activities   |                            |                            |
| Depreciation and amortization   | 78,995                     | 51,903                     |
| Deferred income taxes   | 44,100                     | 18,900                     |
| Change in assets and liabilities  |                            |                            |
| Accounts receivable   | (113,490)                  | (31,112)                   |
| Accounts receivable - related party   | (9,375)                    | (421)                      |
| Prepaid expenses  | (91,278)                   | (1,909)                    |
| Accounts payable  | 31,409                     | 7,385                      |
| Accounts payable - related party  | 19,560                     | (8,723)                    |
| Income taxes  | (68,300)                   | (34,198)                   |
| Other liabilities   | 66,089                     | 41,276                     |
| Deferred revenue  | <u>547</u>                 | <u>(590)</u>               |
| Net cash from operating activities  | 312,526                    | 412,958                    |
| <br><b>Cash flows used in investing activities</b>                          |                            |                            |
| Certificates of deposit   | (72)                       | 6,314                      |
| Purchases of property and equipment   | <u>(277,675)</u>           | <u>(70,368)</u>            |
| Net cash used in investing activities                                       | (277,747)                  | (64,054)                   |
| <br><b>Cash flows from financing activities</b>                             |                            |                            |
| Dividends paid  | (213,885)                  | (90,224)                   |
| Redemption of stock   | (48,124)                   | (42,907)                   |
| Proceeds from issuance of common stock                                      | 681,500                    | 95,000                     |
| Payments on capital lease obligations                                       | <u>(27,716)</u>            | <u>(27,040)</u>            |
| Net cash from financing activities  | <u>391,775</u>             | <u>(65,171)</u>            |
| <br>Net change in cash and cash equivalents                                 | 426,554                    | 283,733                    |
| <br>Cash and cash equivalents at beginning of year                          | <u>1,376,894</u>           | <u>1,093,161</u>           |
| <br><b>Cash and cash equivalents at end of year</b>                         | <b><u>\$ 1,803,448</u></b> | <b><u>\$ 1,376,894</u></b> |
| <br>Supplemental disclosure of cash flow information                        |                            |                            |
| Income taxes paid   | \$ 131,375                 | \$ 133,800                 |
| <br>Supplemental disclosures of non-cash investing and financing activities |                            |                            |
| Capital lease obligation entered into during the year                       | \$ 22,548                  | \$ 64,445                  |
| Financing activity - dividends declared but unpaid                          | 354,269                    | 213,885                    |

See accompanying notes to financial statements.

XTEND, INC.  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2021 and 2020

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**NOTE 1 - NATURE OF BUSINESS**

Nature of Business: Xtend, Inc. ("the Company") was organized for the purpose of providing and/or coordinating resources and opportunities for the credit union industry. The Company provides managerial, operational and technical planning and consulting, outsourcing of technical and human resources, and coordination of marketing efforts for financial services located primarily in Michigan. Revenue is recognized based on billings to customers as services are performed.

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**

Recently Issued Accounting Pronouncements: On October 1, 2020, the Company adopted Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, and all subsequent amendments thereto (collectively, "Topic 606"). Topic 606 supersedes virtually all existing revenue recognition guidance, including industry-specific guidance, and replaces it with a single, comprehensive framework for recognizing revenue from contracts with customers. Topic 606 also requires enhanced disclosure about the Company's revenue from contracts with customers. The Company elected to adopt Topic 606 using the modified retrospective transition method, including the practical expedient to apply Topic 606 only to contracts not completed as of the date of adoption. The adoption of the new revenue standard resulted in a change in principal vs. agent accounting. During the year ended September 30, 2021, \$30,000 of expense has been recorded net within revenue on the statements of income. The adoption of the new revenue standard did not have any additional impact on the Company's financial position, results of operations, or revenues as of the adoption date. See Note 8 for additional information.

Statement of Cash Flows: For the purpose of the statement of cash flows, cash and cash equivalents includes demand deposit accounts, savings accounts, money market accounts and instruments purchased with a maturity of three months or less. The Company frequently has deposits in excess of \$250,000 at various financial institutions, some of which are also shareholders.

Certificates of Deposit: Certificates of deposit consist of bank time deposits with original maturity dates greater than 90 days and with remaining maturity dates of less than 365 days. These certificates of deposit have a fixed rate of interest which is paid upon maturity. They may not be redeemed before the maturity date without a penalty and are not transferable.

Accounts Receivable: The Company sells to customers using credit terms customary in its industry. Interest is not normally charged on receivables. Management establishes a reserve for losses on its accounts based on historic loss experience and current economic conditions. Losses are charged off to the reserve when management deems further collection efforts will not produce additional recoveries. These financial statements contain no allowance for doubtful accounts since management expects that receivables are fully collectible.

Revenue Recognition: The Company recognizes revenue from contracts with customers when (or as) control of the promised services transfers to the customer. This generally occurs as the services are provided to the customer. Revenue is recorded at the amount of consideration the Company expects to be entitled to in exchange for the services, which includes an estimate of expected refunds when applicable. Revenue is recorded net of sales tax.

For more information about the Company's revenue from contracts with customers, refer to Note 8, Revenue Recognition.

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(Continued)

XTEND, INC.  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2021 and 2020

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**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Property and Equipment: Property and equipment are stated at cost. Depreciation is computed using straight-line and accelerated methods over the estimated useful lives of the assets. Leasehold improvements are depreciated over the estimated useful life or lease term, whichever is less. When properties are retired or otherwise disposed of, the appropriate accounts are relieved of cost and accumulated depreciation, and any resulting gain or loss is recognized.

Advertising: The Company expenses advertising costs as incurred. Advertising costs for the years ended September 30, 2021 and 2020 were \$8,449 and \$1,211, respectively.

Income Taxes: The Company is a taxable corporation for federal income tax purposes. The Company records income tax expense based on the amount of taxes due on its tax return plus deferred taxes computed based on the expected future consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities, using enacted tax rates.

Uncertain tax positions are recognized and measured under provisions of FASB ASC 740. These provisions require the Company to recognize a tax benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more likely than not test, no tax benefit is recorded.

The Company recognizes interest and penalties related to unrecognized tax benefits in interest and income tax expense, respectively. There were no amounts expensed or accrued as of and for the years ended September 30, 2021 and 2020 for tax related interest and penalties.

The Company is no longer subject to examination for federal tax years before 2017 and for state income taxes before 2016. The Company does not expect that total amount of unrecognized tax benefits to significantly increase or decrease in the next 12 months.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to September 30, 2021 to determine the need for any adjustments to and/or disclosures within these financial statements for the year ended September 30, 2021. Management has performed their analysis through November 16, 2021, the date the financial statements were available for issuance and has determined that there are no subsequent events to disclose.

**NOTE 3 - CAPITAL STOCK**

The Company has issued common stock with all shares having voting rights and containing transfer restrictions.

The Company is obligated to purchase shares of withdrawing stockholders within 60 days of the stockholders' written request. The purchase price of the stock is the book value of the stock as of the end of the prior fiscal year. The Company does not have any purchase obligations as of September 30, 2021 and 2020.

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(Continued)

XTEND, INC.  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2021 and 2020

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**NOTE 4 - INCOME TAXES**

The provision for income taxes consists of the following:

|   | <u>2021</u>       | <u>2020</u>       |
|---|-------------------|-------------------|
| Current federal and state income tax expense  | \$ 66,700         | \$ 99,600         |
| Deferred federal and state income tax expense | <u>44,100</u>     | <u>18,900</u>     |
|   | <u>\$ 110,800</u> | <u>\$ 118,500</u> |

Deferred tax assets and liabilities are as follows:

|                          | <u>2021</u>        | <u>2020</u>        |
|--------------------------|--------------------|--------------------|
| Deferred tax assets      | \$ 32,588          | \$ 11,164          |
| Deferred tax liabilities | <u>(125,188)</u>   | <u>(59,664)</u>    |
|                          | <u>\$ (92,600)</u> | <u>\$ (48,500)</u> |

The effective rate for federal income tax differs from the statutory rate due to the effect of various nondeductible expenses.

Deferred tax assets and liabilities result from temporary differences between financial statements and tax returns for the recognition of prepaid expenses and accumulated depreciation.

**NOTE 5 - LEASE COMMITMENTS**

The Company is obligated under various capital lease agreements for computer related equipment. Lease payments are generally due monthly and expire at various dates through January, 2024. Assets recorded under capital leases amount to the following:

|                          | <u>2021</u>      | <u>2020</u>      |
|--------------------------|------------------|------------------|
| Equipment                | \$ 116,043       | \$ 93,495        |
| Accumulated depreciation | <u>(67,780)</u>  | <u>(39,514)</u>  |
|                          | <u>\$ 48,263</u> | <u>\$ 53,981</u> |

The Company has entered into numerous noncancelable operating lease agreements for various facilities and equipment with lease terms expiring at various dates through the year 2031. Rent expense under these leases for the years ended September 30, 2021 and 2020 was \$130,691 and \$78,627, respectively.

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(Continued)

XTEND, INC.  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2021 and 2020

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**NOTE 5 - LEASE COMMITMENTS** (Continued)

Future minimum payments due under operating and capital leases with initial or remaining noncancelable lease terms in excess of one year are as follows:

|  | <u>Operating<br/>Leases</u> | <u>Capital<br/>Leases</u> |
|--|-----------------------------|---------------------------|
| 2022   | \$ 262,715                  | \$ 29,433                 |
| 2023   | 182,381                     | 17,982                    |
| 2024   | 187,853                     | 4,311                     |
| 2025   | 193,488                     | -                         |
| 2026   | 199,293                     | -                         |
| Thereafter                                     | <u>1,089,818</u>            | <u>-</u>                  |
| Total minimum lease payments                   | <u>\$ 2,115,548</u>         | 51,726                    |
| Less amounts representing interest             |                             | <u>(2,146)</u>            |
|  |                             | 49,580                    |
| Current portion of capital lease obligations   |                             | <u>27,864</u>             |
|  |                             | <u>\$ 21,716</u>          |
| Long term portion of capital lease obligations |                             |                           |

**NOTE 6 - RELATED PARTY TRANSACTIONS**

The Company provides services to all of its stockholders. Revenues from transactions with stockholders constituted 67% and 63% of total revenues during the years ended September 30, 2021 and 2020, respectively. At September 30, 2021 and 2020, 67% and 65%, respectively, of the Company's accounts receivable were from its stockholders. Cash and cash equivalents held at stockholder credit unions totaled approximately \$659,000 and \$816,000 at September 30, 2021 and 2020, respectively.

Operational support services are provided to the Company by a stockholder and renewed on an annual basis. Services under the agreement include the use of office space, computer equipment, and shared services which the Company incurred expenses of \$250,639 and \$143,532 for the years ended September 30, 2021 and 2020, respectively. The Company has entered into an agreement to continue these services for \$20,886 per month from October 1, 2020 through September 30, 2022. The Company also has the ability to lease employees from this stockholder, and is invoiced monthly for the actual costs incurred. The Company provides services to this stockholder in the normal course of business. Sales were \$641,707 and \$559,214 during the years ended September 30, 2021 and 2020, respectively. At September 30, 2021 and 2020, amounts due from this stockholder included in accounts receivable - related party were \$54,263 and \$44,888, respectively. The Company also had accounts payable due to this stockholder of \$40,142 and \$20,582 at September 30, 2021 and 2020, respectively.

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## **NOTE 7 - RISKS AND UNCERTAINTIES**

A novel strain of coronavirus surfaced in Wuhan, China, and has spread around the world, with resulting business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the Company could be materially adversely affected. The extent to which the coronavirus (or any other disease or epidemic) impacts results due to labor shortages or productivity impacts, office closures, or other general economic impacts to projects and overall business will depend on future developments. These future developments are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus or treat its impact, among others. The Company has not experienced any significant changes to its business operations at this time.

## **NOTE 8 - REVENUE RECOGNITION**

Revenues are recognized when control of the promised services transfers to the Company's customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services.

The Company has four revenue streams as detailed below:

### *Contact Center*

This revenue stream includes services for the customer call center. The Company's primary performance obligations consist of monthly access and completion of the services in accordance with the terms of the relevant contract. Revenue is recognized over time for monthly access and at the point in time the services are completed.

### *Communications*

This revenue stream includes services for advertising, design, and credit union member contact. The Company's primary performance obligations consist of monthly access and completion of the services in accordance with the terms of the relevant contract. Revenue is recognized over time for monthly access and at the point in time the services are completed.

### *Bookkeeping*

This revenue stream includes services for customer bookkeeping. The Company's primary performance obligation consists of completion of the services in accordance with the terms of the relevant contract. Revenue is recognized over time as the services are provided.

### *Mortgage Servicing*

This revenue stream includes services for escrow administration, investor reporting, and portfolio conversion. The Company's primary performance obligation consists of completion of the services in accordance with the terms of the relevant contract. Revenue is recognized at the point in time the services are completed.

The Company either invoices the customer upon completion of the promised services, at which time it has an unconditional right to payment, or invoices at the start of the service period, resulting in deferred revenue being recognized over the service period. Standard payment terms are 30 days with some customers receiving 45, 60, or 90-day terms. The transactions with customers do not include any variable consideration. Accounts receivable, on the balance sheet represents trade receivables for invoiced goods.

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(Continued)

XTEND, INC.  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2021 and 2020

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**NOTE 8 - REVENUE RECOGNITION** (Continued)

The Company may receive advance payments from customers which are deferred until satisfying the performance obligations by completion of the service. The Company assesses the expected satisfaction of performance obligations related to the prepayment and has recorded a contract liability as deferred revenue on the balance sheet at September 30, 2021.

Significant Judgments and Practical Expedients Applied: Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring goods and services. Sales and other taxes collected concurrent with revenue-producing activities are excluded from revenue. Incidental items that are immaterial in the context of the contract are not recognized as separate performance obligations to which a portion of revenue would otherwise be allocated.

The Company's contracts typically do not result in situations where there is a time period greater than one year between performance under the contract and collection of the related consideration. The Company elected a practical expedient related to significant financing components, where the Company expects, at contract inception, that the period between the entity's transfer of a promised good to a customer and the customer's payment for that good will be one year or less.

The Company also applies a practical expedient related to costs to obtain a contract and recognizes the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the incurred costs that the Company otherwise would have capitalized is one year or less. These costs are included in selling, general and administrative expenses on the statements of operations.

The Company applies a practical expedient and does not disclose information about remaining performance obligations that have original expected durations of one year or less. The Company does not have material contracts that have original expected durations of more than one year.

**NOTE 9 - RETIREMENT PLAN**

The Company participates in a 401(k) plan in which substantially all of its employees may participate. The plan includes a provision for the Company to match a percentage of the employees' contributions at a rate prescribed in the plan agreement. The Company's contributions to the plan resulted in expense of \$56,628 and \$52,124 for the years ended September 30, 2021 and 2020, respectively.