

**XTEND, INC.**

**FINANCIAL STATEMENTS**  
September 30, 2023 and 2022

XTEND, INC.  
Grand Rapids, Michigan

FINANCIAL STATEMENTS  
September 30, 2023 and 2022

CONTENTS

INDEPENDENT AUDITOR'S REPORT .....	1
FINANCIAL STATEMENTS	
BALANCE SHEETS .....	3
STATEMENTS OF OPERATIONS.....	4
STATEMENTS OF STOCKHOLDERS' EQUITY .....	5
STATEMENTS OF CASH FLOWS.....	6
NOTES TO FINANCIAL STATEMENTS .....	7

## INDEPENDENT AUDITOR'S REPORT

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

**Opinion**

We have audited the financial statements of Xtend, Inc., which comprise the balance sheets as of September 30, 2023 and 2022, and the related statements of operations, stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Xtend, Inc. as of September 30, 2023 and 2022, 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 (GAAS). 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 Xtend, 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 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 Xtend, Inc.'s ability to continue as a going concern for one year from the date the financial statements are available to be issued.

## ***Auditor's Responsibilities for the Audit of the 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 GAAS 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.

In performing an audit in accordance with GAAS, 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 Xtend, 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Xtend 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.

*Crowe LLP*  
Crowe LLP

Grand Rapids, Michigan  
November 21, 2023

XTEND, INC.  
BALANCE SHEETS  
September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,615,881	\$ 1,920,817
Certificates of deposit	492,531	491,260
Accounts receivable	299,338	370,208
Accounts receivable - related party (Note 6)	51,979	49,047
Prepaid expenses	159,321	158,066
Income taxes receivable	107,098	104,799
Total current assets	2,726,148	3,094,197
Property, plant and equipment		
Equipment	236,341	218,116
Furniture and fixtures	345,706	333,882
Finance leases	113,048	97,721
Leasehold improvements	136,207	133,548
Software	74,361	51,598
Right of use operating lease asset	1,355,726	-
	2,261,389	834,865
Less: accumulated depreciation and amortization	(318,686)	(212,442)
	1,942,703	622,423
	\$ 4,668,851	\$ 3,716,620
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>		
Current liabilities		
Accounts payable	\$ 59,403	\$ 53,811
Accounts payable - related party (Note 6)	10,792	21,847
Current portion of finance lease obligation	29,989	19,570
Current portion of operating lease liability	136,933	-
Dividend payable	-	208,000
Other liabilities	122,472	178,326
Deferred revenue	12,017	4,000
Total current liabilities	371,606	485,554
Long-term liabilities		
Finance lease obligation	42,661	22,917
Operating lease liability (Note 5)	1,304,932	-
Deferred income taxes (Note 4)	58,100	106,900
	1,405,693	129,817
Stockholders' equity		
Common stock - no par value, 60,000 shares authorized, shares issued and outstanding: 20,600 and 20,800 at September 30, 2023 and 2022, respectively	2,656,013	2,654,652
Retained earnings	235,539	446,597
	2,891,552	3,101,249
	\$ 4,668,851	\$ 3,716,620

See accompanying notes to financial statements.

XTEND, INC.  
STATEMENTS OF OPERATIONS  
Years ended September 30, 2023 and 2022

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	<u>2023</u>	<u>2022</u>
<b>Revenues (Notes 6 and 7)</b>	\$ 4,686,235	\$ 4,747,191
Cost of sales	<u>286,236</u>	<u>379,615</u>
<b>Gross margin</b>	4,399,999	4,367,576
Operating expenses	<u>4,695,137</u>	<u>4,289,293</u>
<b>Income (loss) before other income and income taxes</b>	(295,138)	78,283
Other income (expense)		
Loss on sale of equipment	-	(23,611)
Interest income	<u>32,980</u>	<u>2,655</u>
<b>Income (loss) before income taxes</b>	(262,158)	57,327
Provision (benefit) for income taxes (Note 4)	<u>(51,100)</u>	<u>16,800</u>
<b>Net income (loss)</b>	<u>\$ (211,058)</u>	<u>\$ 40,527</u>

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See accompanying notes to financial statements.

XTEND, INC.  
 STATEMENTS OF STOCKHOLDERS' EQUITY  
 Years ended September 30, 2023 and 2022

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	<u>Common Stock</u>	<u>Retained Earnings</u>	<u>Total</u>
<b>Balance as of, October 1, 2021</b>	\$ 1,944,269	\$ 614,070	\$ 2,558,339
Issuance of 2,800 shares of common stock	766,000	-	766,000
Redemption of 400 shares of common stock	(55,617)	-	(55,617)
Dividends declared	-	(208,000)	(208,000)
Net income	-	40,527	40,527
	<hr/>	<hr/>	<hr/>
<b>Balances, September 30, 2022</b>	2,654,652	446,597	3,101,249
Issuance of 200 shares of common stock	61,000	-	61,000
Redemption of 400 shares of common stock	(59,639)	-	(59,639)
Net loss	-	(211,058)	(211,058)
	<hr/>	<hr/>	<hr/>
<b>Balances, September 30, 2023</b>	<u>\$ 2,656,013</u>	<u>\$ 235,539</u>	<u>\$ 2,891,552</u>

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See accompanying notes to financial statements.

XTEND, INC.  
STATEMENTS OF CASH FLOWS  
Years ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Cash flows from operating activities</b>		
Net income (loss)	\$ (211,058)	\$ 40,527
Adjustments to reconcile net income (loss) to net cash from operating activities		
Depreciation and amortization	152,639	127,560
Deferred income taxes	(48,800)	14,300
Loss on sale of equipment	-	23,611
Changes in assets and liabilities		
Accounts receivable	70,870	25,837
Accounts receivable - related party	(2,932)	5,216
Prepaid expenses	(1,255)	28,321
Right of use asset and lease liability	86,139	-
Accounts payable	5,592	(4,551)
Accounts payable - related party	(11,055)	(18,295)
Income taxes	(2,299)	2,499
Other liabilities	(55,854)	(59,941)
Deferred revenue	8,017	(3,125)
Net cash from operating activities	<u>(9,996)</u>	<u>181,959</u>
<b>Cash flows from investing activities</b>		
Certificates of deposit	(1,271)	(1,083)
Purchases of property and equipment	<u>(55,471)</u>	<u>(383,750)</u>
Net cash from investing activities	(56,742)	(384,833)
<b>Cash flows from financing activities</b>		
Dividends paid	(208,000)	(354,269)
Redemption of stock	(59,639)	(55,617)
Proceeds from issuance of common stock	61,000	766,000
Payments on finance lease obligations	<u>(31,559)</u>	<u>(35,871)</u>
Net cash from financing activities	<u>(238,198)</u>	<u>320,243</u>
Net change in cash and cash equivalents	(304,936)	117,369
Cash and cash equivalents, beginning of year	<u>1,920,817</u>	<u>1,803,448</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 1,615,881</u>	<u>\$ 1,920,817</u>
Supplemental disclosure of cash flow information		
Income taxes paid	\$ -	\$ -
Supplemental disclosures of non-cash investing and financing activities		
Recording the operating right of use asset and lease liability upon adoption of ASC 842	\$ 1,569,334	\$ -
Finance lease obligation entered into during the year	61,722	28,778
Financing activity - dividends declared but unpaid	-	208,000

See accompanying notes to financial statements.

XTEND, INC.  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2023 and 2022

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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 Adopted Accounting Pronouncements: Effective October 1, 2022, the Company adopted FASB ASU 2016-02, “Leases (Topic 842)” (“ASC 842”) and ASU 2018-11, “Lease (Topic 842): Targeted Improvements”, which requires that an entity recognize lease assets and lease liabilities on its statement of financial position for leases in excess of one year that were previously classified as operating leases and finance leases under U.S. GAAP. The Company elected the package of transition practical expedients, which among other things, does not require reassessment of lease classifications. Upon adoption of the standard, the Company recognized approximately \$1,569,334 in operating right-of-use (“ROU”) asset and operating lease liabilities. Upon adoption of the standard, the Company accounted for finance leases within in property, plant, and equipment and finance lease liability.

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 7, Revenue Recognition.

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.

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(Continued)

XTEND, INC.  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2023 and 2022

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

Leases: At the inception of an arrangement, the Company determines if an arrangement is a lease based on all relevant facts and circumstances. Leases are classified as operating or finance leases at the lease commencement date. Operating leases are included in right-of-use assets, short term lease liabilities and long-term lease liabilities on the balance sheet. Finance leases are included in property, plant, and equipment and current portion finance lease liability and finance lease liability long-term on the balance sheet. Lease expense is recognized on a straight-line basis over the lease term. Leases with a term of 12 months or less (short-term leases) are not recorded on the balance sheet.

ROU assets represent the Company's right to use an underlying asset for the lease term and operating lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and operating and finance lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term. ROU assets also include prepaid rent and are adjusted by the unamortized balance of lease incentives. As the implicit rate is generally not readily determinable for all of the leases, the Company has made a policy election, to use the risk free discount rate, in determining the present value of lease payments.

Advertising: The Company expenses advertising costs as incurred. Advertising costs for the years ended September 30, 2023 and 2022 were \$3,821 and \$6,363, 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, 2023 and 2022 for tax related interest and penalties.

The Company is no longer subject to examination for federal tax years before 2018 and for state income taxes before 2017. 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, 2023 to determine the need for any adjustments to and/or disclosures within these financial statements for the year ended September 30, 2023. Management has performed their analysis through November 21, 2023, the date the financial statements were available for issuance and has determined that there are no subsequent events to disclose.

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(Continued)

XTEND, INC.  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2023 and 2022

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**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, 2023 and 2022.

**NOTE 4 – INCOME TAXES**

The provision for income taxes consists of the following:

	<u>2023</u>	<u>2022</u>
Current federal and state income tax expense (benefit)	\$ (2,300)	\$ 2,500
Deferred federal and state income tax expense (benefit)	<u>(48,800)</u>	<u>14,300</u>
	<u>\$ (51,100)</u>	<u>\$ 16,800</u>

Deferred tax assets and liabilities are as follows:

	<u>2023</u>	<u>2022</u>
Deferred tax assets	\$ 412,770	\$ 46,640
Deferred tax liabilities	<u>(470,870)</u>	<u>(153,540)</u>
	<u>\$ (58,100)</u>	<u>\$ (106,900)</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 an operating lease agreement, for its facility. The Company has recorded an operating right of use asset of \$1,355,726, short term lease liability of \$136,933, and long-term lease liability of \$1,304,932 on the balance sheet at September 30, 2023.

The weighted average remaining lease life and weighted average discount rate used was 8.00 years and 3.67%, respectively, at September 30, 2023.

The Company's recorded rent expense under the operating lease agreement was \$198,476 and \$281,685 for the years ended September 30, 2023 and 2022, respectively. At September 30, 2023, future minimum rental payments due under the operating lease are as follows:

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(Continued)

XTEND, INC.  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2023 and 2022

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

2024		\$ 187,848
2025		193,488
2026		199,296
2027		205,272
Thereafter		<u>884,544</u>
Total lease payments		1,670,448
Less: imputed interest		<u>(228,583)</u>
Present value of right of use liability		<u>\$ 1,441,865</u>

The Company is obligated under various finance lease agreements for computer related equipment. Lease payments are generally due monthly and expire at various dates through June 2026. Assets recorded under finance leases amount to the following:

	<u>2023</u>	<u>2022</u>
Equipment	\$ 113,048	\$ 97,721
Accumulated depreciation	<u>(41,654)</u>	<u>(57,188)</u>
	<u>\$ 71,394</u>	<u>\$ 40,533</u>

Future minimum payments due under finance leases are as follows:

2024		\$ 32,459
2025		29,786
2026		<u>14,338</u>
Total minimum lease payments		76,583
Less: amounts representing interest		<u>(3,933)</u>
		72,650
Current portion of finance lease obligations		<u>29,989</u>
Long-term portion of finance lease obligations		<u>\$ 42,661</u>

**NOTE 6 – RELATED PARTY TRANSACTIONS**

The Company provides services to all of its stockholders. Revenues from transactions with stockholders constituted 62% and 68% of total revenues during the years ended September 30, 2023 and 2022, respectively. At September 30, 2023 and 2022, 68% and 60%, respectively, of the Company's accounts receivable were from its stockholders. Cash and cash equivalents held at stockholder credit unions totaled approximately \$533,000 and \$662,000 at September 30, 2023 and 2022, respectively.

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**NOTE 6 – RELATED PARTY TRANSACTIONS (Continued)**

The Company has entered into an agreement for a stockholder to provide operational support services through September 30, 2022 at \$9,143 per month and renewed on an annual basis. Services under the agreement include the use of office space, computer equipment, and shared services. The Company also has the ability to lease employees from this stockholder and is invoiced monthly for the actual costs incurred. The Company incurred expense from this stockholder of \$109,713 and \$336,185 for the years ended September 30, 2023 and 2022, respectively. The Company provides services to this stockholder in the normal course of business. Sales were \$609,767 and \$647,632 during the years ended September 30, 2023 and 2022, respectively. At September 30, 2023 and 2022, amounts due from this stockholder included in accounts receivable - related party were \$51,979 and \$49,047, respectively. The Company also had accounts payable due to this stockholder of \$10,792 and \$21,847 at September 30, 2023 and 2022, respectively.

**NOTE 7 – 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, 2023 and 2022

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**NOTE 7 – 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, 2023.

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 8 – 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 \$73,982 and \$56,279 for the years ended September 30, 2023 and 2022, respectively.