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ISSQUARED, Inc.

Consolidated Financial Statements

With Supplementary Schedules

And

Independent Accountants' Audit Report

For the Year Ended December 31, 2020

ISSQUARED, Inc.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders
ISSquared, Inc
Newbury Park, CA

We have audited the accompanying consolidated financial statements of ISSquared Inc. (A California Corporation), which comprise the balance sheets as of December 31, 2020 and the related statements of income & shareholders' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Issquared, Inc. as of December 31, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. Supplementary Schedules on pages 18-19 are presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

A handwritten signature in black ink, appearing to read "Gautam Kumar".

Gautam Kumar, CPA
Canoga Park, CA
August 16, 2021

ISSQUARED, Inc.
Consolidated Balance Sheet
As of December 31, 2020

ASSETS

Current Assets:

Cash	\$ 8,769,954
Accounts Receivable, less allowance for doubtful accounts of \$32,000	3,857,171
Other Accounts Receivable	896,015
Inventories	39,627
Prepaid Expenses	419,350
Other Current Assets	184,077
Income Tax Deposits	37,111

Total Current Assets	14,203,305
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Property and Equipment	2,355,718
Less Accumulated Depreciation	1,412,165

Total Property and Equipment	943,553
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Other Assets:

Other Non-Current Assets	108,283
Intangibles - net of accumulated amortization of \$1,426,581	3,864,906

Total other assets	3,973,189
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Total Assets	\$ 19,120,047
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ISSQUARED, Inc.
Consolidated Balance Sheet
As of December 31, 2020

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:

Short-term Debt	\$ 17,015
Accounts Payable	3,529,508
Accrued Liabilities	1,626,757
Current Portion of Long-term Debt	220,232
Deferred Revenue	<u>1,044,870</u>

Total Current Liabilities	<u>6,438,382</u>
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Long-term Debt	2,986,421
Deferred Revenue - Non Current	109,986

Total Liabilities	<u>9,534,789</u>
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Stockholders' Equity:

Common Stock: \$.01 par value; authorized 20,000,000 shares	76,200
Retained Earnings	<u>9,509,058</u>

Total Stockholders' Equity	<u>9,585,258</u>
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Total Liabilities and Stockholders' Equity	<u><u>\$ 19,120,047</u></u>
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ISSQUARED, Inc.
Consolidated Statement of Income
For the Year Ended December 31, 2020

Revenues	\$ 35,295,635
Cost of Revenues - See Schedule I	<u>23,396,906</u>
Gross Profit	11,898,729
Selling, General, and Administrative Expenses - See Schedule II	<u>10,767,220</u>
Income (Loss) From Operations	<u>1,131,509</u>
Other Income (Expense):	
Interest Income	8,499
Gain (Loss) on Exchange	(69,226)
Gain from Extinguishment of Debt	1,313,278
Foreign Currency Translation	(2,235)
Interest Expense	<u>(236,921)</u>
Total Other Income (Expenses)	<u>1,013,395</u>
Income (Loss) before Income Taxes	2,144,904
Income Tax (Provision)	<u>484,860</u>
Net Income (Loss)	<u><u>\$ 1,660,044</u></u>

See accompanying notes and independent accountants' audit report
Company Confidential

ISSQAURED, Inc.
Consolidated Statements of Stockholder Equity
For the Year Ended December 31, 2020

	Common Stock		Retained Earnings	Total
	Number of Shares	Amount		
Balance December 31, 2019	<u>6,950,000</u>	<u>\$ 69,500</u>	<u>\$ 7,897,064</u>	<u>\$ 7,966,564</u>
Prior Period Adjustment	630,000	\$ 6,300	\$ -	\$ 6,300
Share Purchases	40,000	\$ 400	\$ -	\$ 400
Currency Translation Differences			\$ (48,050)	\$ (48,050)
Net Income	<u>-</u>	<u>\$ -</u>	<u>\$ 1,660,044</u>	<u>\$ 1,660,044</u>
Balance December 31, 2020	<u>7,620,000</u>	<u>\$ 76,200</u>	<u>\$ 9,509,058</u>	<u>\$ 9,585,258</u>

See accompanying notes and independent accountants' audit report
Company Confidential

ISSQUARED, Inc.
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2020

Cash flows from operating activities:

Net Income	\$ 1,660,044
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:	
Depreciation and amortization	1,116,475
Currency translation difference	(71,461)
(Increase) decrease in assets:	
Receivables	2,643,792
Inventories	97,763
Prepaid and other current assets	(90,182)
Deposits and other assets	983,538
Deferred federal income taxes	108,000
Other non current Assets	(9,287)
Increase (decrease) in liabilities:	
Accounts payable	797,375
Accrued liabilities & deferred revenues	(315,734)
Net cash provided by (used in) operating activities	<u>6,920,323</u>

Cash flows from investing activities:

Purchases of property and equipment	<u>(225,157)</u>
Net cash provided by (used in) investing activities	<u>(225,157)</u>

Cash flows from financing activities:

Net borrowings (repayments) on Short-term debt obligations	(482,585)
Payments on Long-Term Debt	<u>(408,967)</u>
Net cash provided by (used in) financing activities	<u>(891,552)</u>

Net increase (decrease) in cash	5,803,614
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Cash at beginning of year	2,974,459
Less: Prior Period Adjustment (Note 16)	(8,119)
Cash at end of year	<u><u>\$ 8,769,954</u></u>

ISSQUARED, Inc.
Notes to Consolidated Financial Statements
December 31, 2020

1. Summary of Significant Accounting Policies

This summary of significant accounting policies of ISSquared, Inc. (the Company) are presented to assist in the understanding of the Company's financial statements. The financial statements and notes are representations of the Company's management who is responsible for their integrity and objectivity.

Business Activity

The Company provides Information Systems Management Solutions based on cloud and premise platforms to streamline IT business processes, networking and network security consulting, design and installation services and offers a suite of managed and hosted services as well as offering computer networking products to commercial end-users. The Company represents and sells carrier network and hosting services to new and existing customers, for which it earns a commission. The Company is a Master Partner with one of the National Carriers and derives most of its Carrier Services commissions from this relationship.

The Company is headquartered in Southern California and has branch offices in Northern California, Washington, Oregon, Texas and Arizona. The Company also has offices throughout the United States and in strategic geographies outside of the United States.

Subsequent events

The Company has evaluated subsequent events for recognition and disclosure through August 16, 2021, which is the date the financial statements were available to be issued.

Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned and controlled subsidiary, Issquared India PVT, LTD, Issquared IT Solutions DWC LLC and Issquared, IT Solutions, which are not a *Variable Interest Entity* (VIE).

Issquared India PVT, LTD is engaged in software development for the Company's cloud and premise platforms, supports the professional and managed services offerings, and internal company processes.

Issquared IT Solutions DWC LLC and Issquared, IT Solutions, LLC operate in the United Arab Emirates in Dubai and Abu Dhabi, respectively. These two companies are engaged in sales and services of the Company's offerings.

All significant intercompany accounts and transactions have been eliminated in the accompanying consolidated financial statements. As of December 31, 2020, the Company does not hold variable interests in any VIEs for which it is the primary beneficiary.

The Company has formed wholly owned subsidiaries in Singapore, Ireland and the United Kingdom. These three subsidiaries have not yet started business as of December 31, 2020. These subsidiaries will be engaged in sales and sales operations of the Company's offerings.

ISSQUARED, Inc.
Notes to Consolidated Financial Statements
December 31, 2020

Use of estimates –

The company prepared these consolidated financial statements using financial information available at the time of preparation, which requires management to make estimates and assumptions that affect the amounts reported. These estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. Estimates are used for, among other items, useful lives for depreciation and amortization, future cash flows associated with impairment testing for goodwill, deferred tax assets, uncertain income tax positions and contingencies. Actual results may differ from the estimates and the differences may be material to the financial statements.

Allowance for doubtful accounts - The Company provides an allowance for doubtful collections which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. The Company takes into consideration the overall quality and aging of the receivable portfolio along with specifically identified customer risks. If actual customer payment performance were to deteriorate to an extent not expected, additional allowances may be required.

Vendor transactions – The Company receives incentives from Vendors related to cooperating advertising allowances, volume rebates, price protection and other programs. These incentives generally relate to written agreements with specified performance requirements with the vendors and are recorded as adjustments to cost of sales or advertising expense, as appropriate. Vendors may change the terms of some or all of these programs which could have an impact on the results of the company's operations.

Intangible assets – The Company's intangible assets consist primarily of goodwill, covenants not to compete and trademarks from acquisitions and, related costs. Management computes amortization of intangible assets using the straight-line method and have been assigned an estimated useful life of seven years. Each period, the Company evaluates whether events and circumstances warrant a revision to the remaining estimated useful life of each intangible asset. If the Company were to determine that events and circumstances warrant a change to the estimate of an intangible asset's remaining useful life, then the remaining carrying amount of the intangible asset would be amortized prospectively over that revised remaining useful life.

Additionally, other events and circumstances may indicate that the carrying value of one or more intangible assets is not recoverable and its fair value is less than the intangible asset's carrying value, resulting in the recognition of an impairment charge.

The Company is subject to financial statement risk in the event that intangible assets become impaired.

Concentration of credit risk - The Company places its cash with high-credit-quality financial institutions. At times, cash may be in excess of the FDIC insurance limit.

Trade accounts receivable - Accounts receivable, which are collateralized, are stated at the amount management expects to collect based on invoiced balances outstanding at year-end. Accounts receivable are due per the payment terms on the invoice and do not bear interest. Receivables past due more than 30 days are considered delinquent. Delinquent receivables are evaluated and are written off based on individual credit and specific circumstances of the customer. As previously discussed in this footnote, the

ISSQUARED, Inc.
Notes to Consolidated Financial Statements
December 31, 2020

allowance for doubtful accounts is management's best estimate of losses resulting from the inability of the company's customers to make required payments.

Inventories - Inventories, consisting of computer networking hardware and software, are stated at the lower of cost or market (net realizable value). Cost is determined by the first-in, first-out (FIFO) method.

Property and equipment - Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the useful lives of the assets. Leasehold improvements are amortized over the shorter of their useful lives or the initial lease term. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

Leases – The Lease agreements are evaluated to determine whether they are capital or operating. When substantially all of the risks and benefits of property ownership have been transferred to the Company the lease then qualifies as a capital lease.

The Company carried no capital leases as of December 31, 2020.

Revenue Recognition - The company has adopted ASC 606, "Revenue from contracts with customers". This standard provides principles for recognizing revenue for the transfer of promised of services to customers with consideration to which the company expects to be entitled in exchange for those goods or services.

The Company derives its revenue from:

- A) The majority of revenue is from equipment sales and maintenance contracts. The Company records revenue from equipment sales transactions when both the risk of loss and title to product pass to the customer. Physical products, maintenance and support contracts are recognized on a gross basis with the selling price to the customer recorded as net sales and the acquisition cost of the product recorded as cost of sales. The Company's shipping terms specify title transfers FOB Origin. The majority of equipment the Company distributes are subject to standard manufacturer's warranties. The Company's general policy is to not accept merchandise returns unless covered by manufacturer's warranties.
- B) Information technology consulting or professional services and is either recognized as incurred for services billed at an hourly rate or recognized using the percentage of completion method for services provided at a fixed fee.
- C) Managed and hosted services and software and are recognized when performance obligations are satisfied. The majority of these services and obligations are measured and recognized on a monthly basis.

ISSQUARED, Inc.
Notes to Consolidated Financial Statements
December 31, 2020

- D) Commission revenue from the sale of Carrier products and services is recognized when the Carrier provides the customer the product or service.

The adoption of ASC 606 did not have a significant impact on the Company's financial statements. The majority of the Company's revenue arrangements generally consist of a single performance obligation to transfer promised goods or services. Based on the Company's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

Income taxes - Deferred income taxes are provided in amounts sufficient to give effect to temporary differences between financial and tax reporting. A deferred tax asset or liability is determined based on the differences between the financial statement and tax bases of assets and liabilities as measured by the expected tax rates which will be in effect when these differences reverse.

2. STATEMENTS OF CASH FLOWS

Supplemental disclosures of cash flow information:

Cash paid during the year for:

Interest	\$ 214,520
Federal and State Income taxes paid	\$ 49,186

PPP (Payroll Protection Plan) and EIDL (Economic Injury Disaster Loan) received on April 9th, 2020 was \$1,125,000 and \$10,000, respectively. Both these loans were forgiven as of December 31, 2020.

3. RELATED PARTY TRANSACTIONS

There have been no material related party transactions for the year ending December 31, 2020.

4. ACCOUNTS RECEIVABLE

Three customers accounted for approximately 42% of trade accounts receivable as of December 31, 2020.

Allowance for doubtful accounts of \$32,000 for 2020 is management's best estimate of losses resulting from the inability of Company's customers to make required payments.

ISSQUARED, Inc.
Notes to Consolidated Financial Statements
December 31, 2020

5. OTHER RECEIVABLES

Other receivables consist of the following:

Accrued Customer Receivable (U.S)	\$ 529,129
Carrier Receivables	308,430
Accrued Receivable (India & UAE)	<u>58,456</u>
	<u>\$ 896,015</u>

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

		Estimated <u>useful lives</u>
Computers, Electronics and Software	\$ 2,178,515	5 years
Furniture and Fixtures	152,053	7 years
Machinery & Equipment	<u>25,150</u>	5 years
	<u>\$ 2,355,718</u>	

Depreciation charged to expense was \$ 361,735 in 2020.

7. OTHER NON-CURRENT ASSETS

Other receivables consist of the following:

Deposits	\$ 52,507
Partner Support Contracts	51,346
Non-Current Assets-India & UAE	<u>4,430</u>
	<u>\$ 108,283</u>

8. INTANGIBLE ASSETS

Definite lived intangible assets consist of the following:

Goodwill from Acquisitions	\$5,075,955
Covenant Not to Compete	78,750
Acquisition Costs	<u>128,663</u>
	5,283,368
Accumulated Amortization	<u>(1,426,581)</u>
	3,856,787
Indefinite lived intangible asset	<u>8,119</u>
	<u>\$ 3,864,906</u>

ISSQUARED, Inc.
Notes to Consolidated Financial Statements
December 31, 2020

Amortization charged to expense was \$754,740 in 2020.

Indefinite lived intangible asset of Bitcoin holdings worth \$8,119 are included in Intangible Assets as of December 31, 2020.

9. ACCOUNTS PAYABLE

Four vendors accounted for approximately 81% of trade accounts payables as of December 31, 2020.

10. ACCRUED LIABILITIES

Accrued Liabilities consist of the following:

Accrued Purchases	\$ 376,844
Credit Card Payables	21,255
Accrued Payroll Expense	298,698
Accrued Commission	232,735
Accrued Carrier Payable	206,236
Business Taxes	176,889
Accrued interest	22,401
Accrued US Federal Income Tax	150,000
Inventory Returns	(3,892)
State Income Tax	86,000
Accrued Liabilities- India & UAE	59,591
	<u>\$ 1,626,757</u>

11. LONG-TERM DEBT

Long-term debt consists of the following:

ABB SBA loan prime + 1.5%, matures April 2029	
Blanket UCC security and guarantees	\$ 2,356,653
NCA Note, 6%, matures April 2024,	
Subordinated to ABB loans	700,000
SBA PPP Loan	150,000
	<u>3,206,653</u>
Less Current Portion	(220,232)
	<u>\$ 2,986,421</u>

Principal maturities of long-term debt are as follows as of December 31, 2020:

ISSQUARED, Inc.
Notes to Consolidated Financial Statements
December 31, 2020

Year-ended December	2021	\$ 220,232
	2022	237,533
	2023	254,598
	2024	972,544
	2025 & thereafter	<u>1,521,746</u>
		<u>\$3,206,653</u>

12. COMMON STOCK

The Company has authorized and issued 7,620,000 shares at par value of \$0.01 per share as of December 31, 2020. The company issued shares worth \$400 at par value of \$0.01 per share for the year ended December 31, 2020.

13. LEASES

The Company leases certain office facilities under long-term operating agreements expiring in years through 2027 and requiring the Company to pay certain executory costs such as maintenance and taxes.

The following is a schedule of future minimum lease payments for operating leases (with initial or remaining terms in excess of one year) on December 31, 2020 for each of the years ending December 31:

2021	\$ 619,195
2022	601,117
2023	572,522
2024	505,628
2025 & Thereafter	<u>828,274</u>
Total Minimum Lease payments	<u>\$3,126,736</u>

Rental expense for operating leases amounted to \$656,355 in 2020.

ISSQUARED, Inc.
Notes to Consolidated Financial Statements
December 31, 2020

14. INCOME TAXES

The components of income tax expense (benefit) are as follows:

Current:	
Federal	\$ 590,462
State	107,000
Foreign	<u>7,398</u>
	704,860
Deferred	<u>(220,000)</u>
	<u>\$ 484,860</u>

An effective Federal tax rate of 21% is used as of December 31, 2020 to estimate deferred taxes based on management's expectation of future taxable income.

15. PROFIT-SHARING PLAN

The Company maintains a profit-sharing 401(k) plan, which covers all employees who have met certain minimum age and employment requirements. Employees can contribute a portion of their salary to the maximum allowed by federal tax guidelines. The plan allows the Company to make discretionary contributions to the plan. No discretionary contributions were made in 2020.

16. PRIOR PERIOD ADJUSTMENTS

- A. Stockholder's Equity- The company recorded shares issued worth \$6,300 at par value of \$0.01 per share in prior years as of December 31, 2019. This is reflected as Prior Period Adjustment in Statement of Stockholder's Equity.
- B. Beginning Cash Balance- In Consolidated Statement of Cash flows, beginning cash balance is \$ 2,966,340 instead of \$ 2,974,459 as reported in 2019 Consolidated Review Report of Issquared Inc.- difference of \$8,119- this reflects investment balance in Bitcoin recategorized to Indefinite live asset (part of Intangibles) as of December 31, 2019.

17. LOAN FORGIVENESS

PPP (Payroll Protection Plan) loan amounting to \$ 1,115,000 and EIDL (Economic Injury Disaster Loan) advance of \$ 10,000 were forgiven during the year ending December 31, 2020.

SBA (Small Business Administration) loan principal and interest totaling to \$188,278 (for a six-month period) was also forgiven during the year ending December 31, 2020.

ISSQUARED, Inc.
Notes to Consolidated Financial Statements
December 31, 2020

18. SUBSEQUENT EVENTS

On May 18, 2021, the Company entered into a Purchase and Sale Agreement for a building in Chardon, Ohio for \$1,315,000. The building will house the Company's global security and network operations center as well as sales, engineering, and administrative staff. The initial building and related construction costs are expected to be \$3,000,000 and another phase build out of \$2,400,000 for a total project cost of \$5,400,000. The state of Ohio and City of Solon have approved grants and credits of approximately \$3,240,000 for the Company to locate in Chardon.

ISSQUARED, Inc.

Supplementary Schedules

ISSQUARED, Inc.
Schedule I - Cost of Revenues
For the Year Ended December 31, 2020

Cost of Revenues

Hardware	\$ 5,647,491
Maintenance	11,437,099
Services	2,607,665
Managed Services	<u>3,704,651</u>
Total Cost of Revenues	<u>\$ 23,396,906</u>

See independent accountants' audit report
Company Confidential

ISSQUARED, Inc.
Schedule II - Selling, General, and Administrative Expenses
For the Year Ended December 31, 2020

Selling, General, and Administrative Expenses

Advertising and Marketing Expenses	\$ 64,006
Amortization Expense	754,740
Bad Debts	38,872
Commission Expense	1,712,611
Depreciation Expense	361,735
Insurance	43,094
Meals and Entertainment, Internal	17,657
Payroll Benefits	707,678
ProServices	238,084
Postage Expense	6,292
Rent	656,355
Salaries and Wages	8,916,160
Supplies, Office	456,178
Tax- Payroll	626,044
Tax- Other	103,641
Telephone	145,101
Training Expense	180,841
Travel	112,064
Allocations	<u>(4,373,933)</u>
 Total Selling, General, and Administrative Expenses	 <u><u>\$ 10,767,220</u></u>