Financial Statements
December 31, 2023

# FCS International, Inc.

EideBailly®

## Independent Auditor's Report

To the Board of Directors
FCS International, Inc.
Irvine, California

### Report on the Audit of the Financial Statements

***Opinion***

We have audited the financial statements of FCS International, Inc. which comprise the balance sheet as of December 31, 2023, and the related statements of operations, stockholder's deficit, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above presents fairly, in all material respects, the financial position of FCS International, Inc. as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audit 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 FCS International, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Responsibilities of Management for the 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, 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 FCS International, Inc.'s ability to continue as a going concern for one year after the date that 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 FCS International, 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 FCS International, 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.

Eide Bailly LLP

Tustin, California
September 18, 2024

| | |
|---|---|
| **Assets** | |
| **Current Assets** | |
| Cash and cash equivalents | $ 558,079 |
| Accounts receivable, net | 2,322,401 |
| Accounts receivable, related parties | 694,416 |
| Prepaid expenses and other current assets | 318,951 |
| Total current assets | 3,893,847 |
| Right of Use Assets - Operating Leases | 578,467 |
| Property and Equipment, Net | 170,261 |
| Deferred Tax Asset | 763,829 |
| Total assets | $ 5,406,404 |
| **Liabilities** | |
| **Current Liabilities** | |
| Accounts payable | $ 852,219 |
| Accounts payable - related parties | 2,202,771 |
| Accrued liabilities | 969,898 |
| Contract liabilities | 102,457 |
| Current maturities of operating lease liability | 176,824 |
| Total current liabilities | 4,304,169 |
| **Long-Term Liabilities** | |
| Note payable, related party | 554,327 |
| Due to related parties | 675,000 |
| Operating lease liability, less current maturities | 468,027 |
| Accounts payable - related parties | 2,518,730 |
| Total long-term liabilities | 4,216,084 |
| Total liabilities | 8,520,253 |
| **Commitments and Contingencies** | |
| **Stockholder's Deficit** | |
| Common stock | 13,600 |
| Additional paid-in capital | 3,457,420 |
| Accumulated deficit | (6,584,869) |
| Total stockholder's deficit | (3,113,849) |
| | $ 5,406,404 |

| | |
|---|---|
| Revenue | $ 14,613,238 |
| Cost of Revenue | 7,242,603 |
| Gross Profit | 7,370,635 |
| Selling, General and Administrative Expenses | 8,427,659 |
| Loss from Operations | (1,057,024) |
| Other Income (Expenses) | |
| Realized loss on foreign currency translation | (248) |
| Interest expense | (44,014) |
| Total other income (expense) | (44,262) |
| Net Loss Before Income Taxes | (1,101,286) |
| Benefit from Income Taxes | (201,628) |
| Net Loss | $ (899,658) |

| | Shares Issued and Outstanding | Amount | Additional Paid-in Capital | Accumulated Deficit | Total Deficit |
|---|---|---|---|---|---|
| Balance - January 1, 2023<br>Common stock, no par value<br>10,000,000 shares authorized<br>11,000 shares issued and outstanding | 11,000 | $ 13,600 | $ 3,457,420 | $ (5,685,211) | $ (2,214,191) |
| Net Loss | - | - | - | (899,658) | (899,658) |
| Balance,<br>December 31, 2023 | 11,000 | $ 13,600 | $ 3,457,420 | $ (6,584,869) | $ (3,113,849) |

| | |
|---|---|
| Operating Activities | |
| Net loss | $ (899,658) |
| Adjustments to reconcile net loss to net cash flows used for operating activities | |
| Credit losses | (25,023) |
| Depreciation and amortization | 95,503 |
| Accrued interest on note payable, related party | 44,014 |
| Deferred tax assets | (167,029) |
| Changes in assets and liabilities | |
| Accounts receivable | (501,664) |
| Accounts receivable, related parties | (487,005) |
| Prepaid expenses and other current assets | (136,473) |
| Operating lease assets and liabilities | 20,066 |
| Accounts payable | 286,762 |
| Accounts payable - related parties | 555,318 |
| Accrued liabilities | (298,680) |
| Contract liabilities | (121,972) |
| Net Cash Flows used for Operating Activities | (1,635,841) |
| Investing Activities | |
| Purchase of property and equipment | (110,428) |
| Net Cash Flows used for Investing Activities | (110,428) |
| Financing Activities | |
| Cash advances to related parties | (500,000) |
| Repayments received on cash advances to related parties | 592,000 |
| Net Cash Flows from Financing Activities | 92,000 |
| Net Change in Cash and Cash Equivalents | (1,654,269) |
| Cash and Cash Equivalents, Beginning of the Year | 2,212,348 |
| Cash and Cash Equivalents, End of the Year | $ 558,079 |

## Note 1 - Principal Business Activity and Significant Accounting Policies

### Principal Business Activity

FCS International, Inc., (the "Company") is incorporated in California as a corporation. The Company operates under the ADEC Innovations umbrella and provides environmental, sustainability, and compliance solutions, delivering fully-integrated consulting, software, and data management services to its customers. The Company's principal markets are developers, governmental and commercial businesses. As an ADEC Innovations organization, the Company is focused on improving the world we live in by advancing sustainable practices globally. The Company grants credit to its customers, substantially all of whom are located in California.

### Concentration of Credit Risk

The Company maintains its cash in bank deposit accounts which exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per depositor, per insured bank, for each account ownership category. At December 31, 2023, the Company had $328,811 in excess of FDIC-insured limits.

As of and for the year ended December 31, 2023, there were no customers who represented 10% or more of accounts receivable and revenue.

### Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments with an original maturity of three month or less.

### Accounts Receivable and Allowance for Credit Losses

Accounts receivable are generally due when billed. Accounts receivable are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. Accounts receivable are stated at the amount billed to the customer. The Company does not charge interest on overdue customer account balances. Payments on accounts receivable are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices.

Management believes that the historical loss information it has compiled is a reasonable base on which to determine expected credit losses for accounts receivable held at December 31, 2023 because the composition of the accounts receivable at those dates are consistent with that used in developing the historical credit-loss percentages (i.e., the similar risk characteristics of its customers and its lending practices have not changed significantly over time). Additionally, management has determined that the current and reasonable and supportable forecasted economic conditions are consistent with the economic conditions included in the historical information. As a result, the historical loss rates have not been adjusted for differences in current conditions or forecasted changes. Accordingly, the allowance for credit losses at December 31, 2023 totaled $137,140.

Changes in the allowance for credit losses for receivables are as follows for the year ended December 31, 2023:

| | |
|---|---|
| Allowance for Credit Losses, Beginning of Year | $ 162,163 |
| Impact of adoption Topic 326 | - |
| Provision for credit losses | 13,915 |
| Charge-offs | (16,500) |
| Recoveries | (22,438) |
| Allowance for Credit Losses, End of Year | $ 137,140 |

**Property and Equipment**

Property and equipment are recorded at cost. Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to expense. When equipment is retired or sold, the cost and related accumulated depreciation and amortization are eliminated from the accounts and the resultant gain or loss is reflected in operations.

Depreciation and amortization is provided using the straight-line method, based on useful lives of the assets which are generally as follows:

| | |
|---|---|
| Computer | 5 years |
| Furniture & fixtures | 5 – 7 years |
| Equipment | 7 – 10 years |
| Leasehold improvements | Lesser of useful life or term of lease |

The Company reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment there was no impairment at December 31, 2023.

**Income Taxes**

Income taxes are provided for the tax effects of transactions reporting in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of receivables, property and equipment, and accrued expenses for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all the deferred tax assets will not be realized.

The Company evaluates its tax positions that have been taken or are expected to be taken on income tax returns to determine if an accrual is necessary for uncertain tax positions. As of December 31, 2023, the unrecognized tax benefits accrual was zero. The Company will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred.

**Revenue Recognition**

The Company recognizes revenue over time in an amount that reflects the expected consideration received in exchange for those goods or services. These services are sold under time-and-materials contracts. Revenue under time-and-materials contracts is recognized on the basis of actual time incurred multiplied by the billable hourly rate stated in the contract, plus direct expenses incurred.

The following summarizes the Company's major contract types:

*Fixed-Price Contracts*
Fixed price contracts include both lump-sum and fixed-unit price contracts. Under lump-sum contracts, the Company performs all the work under the contract for a specified fee. Lump-sum contracts are typically subject to price adjustments if the scope of the project changes or unforeseen conditions arise. Under fixed-unit price contracts, the Company performs a number of units of work at an agreed price per unit with the total payment under the contract determined by the actual number of unites delivered. Revenue is recognized for fixed-price modified by incentive and penalty provisions contracts using the input method on a cost-to-cost basis.

*Time and Materials, Unit Price and Cost-Plus*
The revenue for time and materials, unit price and cost-plus contracts are recognized when service is provided to the customer.

Contract assets represent revenue recognized in excess of amounts billed. Contract liabilities represent billings in excess of revenue recognized.

**Advertising**

Advertising expenses are charged to expense as incurred. For the year ended December 31, 2023, advertising expense amounted to $96,217.

**Foreign Currency Transactions**

The U.S. dollar is the Company's functional currency. Transactions denominated in currency other than the Company's functional currency are recorded upon initial recognition at the exchange rate on the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are remeasured at each reporting date into the foreign currency at the exchange rate on that date. Exchange rate differences, other than those accounted for as hedging transactions, are recognized as foreign currency transaction gain or loss included in the Company's statement of operations.

**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 disclosures 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.

**Adoption of New Accounting Standard**

As of January 1, 2023, the Company adopted Accounting Standards Update (ASU) No. 2016-13, Financial Instruments – *Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments* (ASU 2016-13), which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost, including accounts and loan receivables, and held to maturity debt securities. CECL requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The update also requires that credit losses on available-for-sale debt securities be presented as an allowance rather than a write-down of the security. This standard provides financial statement users with more decision-useful information about the expected losses on financial instruments.

The Company adopted ASU 2016-13 using the modified retrospective review method for all financial assets measured at amortized cost. Results for reporting periods beginning after January 1, 2023, are presented under Topic 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. As a result of the adoption of the new credit loss guidance, there was no cumulative effect adjustment to retained earnings. The adoption of the new standard did not materially impact the Company's statement of operations or statement of cash flows.

**Subsequent Events**

The Company has evaluated subsequent events through September 18, 2024, the date which the financial statements were available to be issued.

## Note 2 - Accounts Receivable, Net

Accounts receivable, net consist of the following as of:

| | December 31, 2023 | January 1, 2023 |
|---|---|---|
| Accounts receivable | $ 2,459,541 | $ 1,957,877 |
| Allowance for credit losses | (137,140) | (162,163) |
| | $ 2,322,401 | $ 1,795,714 |

## Note 3 - Property and Equipment, Net

Property and equipment, net as of December 31, 2023, consist of the following:

| | |
|---|---|
| Computer | $ 311,136 |
| Furniture & fixtures | 158,429 |
| Equipment | 50,022 |
| Leasehold improvements | 31,580 |
| | 551,167 |
| Less accumulated depreciation and amortization | (380,906) |
| | $ 170,261 |

Depreciation and amortization expense for the year ended December 31, 2023 was $95,503.

## Note 4 - Accrued Liabilities

Accrued liabilities as of December 31, 2023, consist of the following:

| | |
|---|---|
| Accrued payroll and related taxes | $ 339,874 |
| Accrued vacation | 206,398 |
| Accrued 401K match | 200,000 |
| Accrued bonus | 150,000 |
| Accrued expenses | 73,626 |
| | $ 969,898 |

## Note 5 - Contract Liabilities

Contract liabilities consist of the following as of:

| | December 31, 2023 | January 1, 2023 |
|---|---|---|
| Retainer liability | $ 47,353 | $ - |
| Progress billings | 55,104 | 224,429 |
| | $ 102,457 | $ 224,429 |

## Note 6 - Note Payable, Related Party

Note payable, related party as of December 31, 2023, consisted of the following:

| | |
|---|---|
| Prime (8.50% as of December 31, 2023) + 1.00% note payable from FCS Global Corp. No defined payment terms. Payable upon agreement of mutual parties. | $ 554,327 |

For the year ended December 31, 2023, related party interest totaled $44,014.

## Note 7 - Income Taxes

Deferred tax assets and liabilities consist of the following components as of December 31, 2023:

| | |
|---|---|
| Deferred Tax Assets (Liabilities) | |
| Property and equipment | $ (2,932) |
| Contribution carryover | 695 |
| Allowance for credit losses | 77,467 |
| Accruals | 223,412 |
| Net operating loss carryforward | 2,009,277 |
| ROU assets and liabilities | 18,577 |
| Less valuation allowance | (1,562,667) |
| | $ 763,829 |

The benefit from income taxes charged to income for the year ended December 31, 2023, consists of the following:

| | |
|---|---|
| Current | $ 1,100 |
| Deferred | (167,029) |
| Prior year (over) accrual | (35,699) |
| | $ (201,628) |

The Company's effective income tax rate is lower than what would be expected if the federal statutory rate were applied to income from continuing operations primarily because of expenses deductible for financial reporting purposes that are not deductible for tax purposes and tax-exempt income.

As of December 31, 2023, the Company had federal and state net operating loss carryovers of approximately $7,000,000 and $6,100,000, respectively. If not utilized, the pre-2018 federal net operating loss carryforwards expire in varying amounts between 2031 and 2037. The federal net operating losses generated after 2018 do not expire and may be carried forward indefinitely. For the state of California, net operating losses generated between 2013 and 2018 many be carried back 2 years or carried forward 20 years. The 2-year carryback is no longer allowed in California from 2019 and after. If not utilized, the pre-2019 California net operating loss carryforwards expire in varying amounts between 2033 and 2038. The California net operating losses generated after 2019 expire between 2039 and 2042.

In 2023, the valuation allowance is estimated at $1,562,667, and is comprised of allowances due to the uncertainty of net operating loss carryforwards.

## Note 8 - Related Party Transactions

**Accounts Receivable, Related Parties**

As of December 31, 2023, the Company has accounts receivable from various related parties totaling $694,416. The amounts are incurred in the ordinary course of business and are expected to be received in 2024.

**Accounts Payable, Related Parties**

As of December 31, 2023, the Company has short-term accounts payable due to various related parties totaling $2,202,771. The amounts are incurred in the ordinary course of business and are expected to be paid in 2024.

As of December 31, 2023, the Company has long-term accounts payable due to various related parties totaling $2,518,730. These amounts are not expected to be paid in 2024 and are therefore classified as long term in the accompanying balance sheet.

**Note Payable, Related Party**

As of December 31, 2023, the Company has a note payable due to a related party totaling $554,327. The note bears interest at prime + 1% and is not expected to be paid in 2024 and are therefore classified as long term in the accompanying balance sheet. See Note 6.

**Transactions with Related Parties**

During the year ended December 31, 2023, the Company had the following transactions with these related parties. A summary of transactions as of December 31, 2023, and for the year ending immediately follows.

*ADEC Solutions USA*
ADEC Solutions USA ("ADEC USA") is a related party of the Company, under common management and control. ADEC USA is a corporation registered in the State of New York. The Company has a mutual service agreement with ADEC USA. Services include, but are not limited to data and document management, business processing outsourcing, software as a solution, internal management and infrastructure, marketing, IT and infrastructure support. ADEC USA has also advanced the Company certain cash advances for working capital needs. The agreement expires in January 2025.

*ADEC Solutions LTD*
ADEC Solutions LTD ("ADEC LTD") is a related party of the Company, under common management and control. ADEC LTD is a corporation registered in the United Kingdom. The Company has a mutual service agreement with ADEC LTD. Services include, but are not limited to data and document management, business processing outsourcing, software as a solution, internal management and infrastructure, marketing, IT and infrastructure support. The agreement expires in October 2024.

*ADEC Innovations, LTD*
ADEC Innovations, LTD ("ADEC Innovations LTD") is a related party of the Company, under common management and control. ADEC Innovations LTD is a corporation registered in Bermuda. The Company has a mutual service agreement with ADEC Innovations LTD. Services include, but are not limited to data and document management, business processing outsourcing, software as a solution, internal management and infrastructure, marketing, IT and infrastructure support. ADEC Innovations LTD has also advanced the Company certain cash advances for working capital needs. The agreement expires in September 2025.

*ADEC Innovations Pty LTD*
ADEC Innovations Pty LTD ("ADEC Innovations Pty") is a related party of the Company, under common management and control. ADEC Innovations Pty is a corporation registered in Australia. The Company has a mutual service agreement with ADEC Preview. Services include, but are not limited data and document management, business process outsourcing, software as a solution, internal management and infrastructure, marketing, IT and infrastructure support, research, publications, scanning, reproducing and other support services. The agreement expires March 2026.

*ADEC Innovations Co LTD*
ADEC Innovations Co LTD ("ADEC Co LTD") is a related party of the Company, under common management and control. ADEC Co LTD is a corporation registered in Malta. The Company has a master service agreement with ADEC Co LTD. Services include, but are not limited data and document management, business process outsourcing, software as a solution, internal management and infrastructure, marketing, IT and infrastructure support, research, publications, scanning, reproducing and other support services. The agreement expires February 2025.

*Envirosite*
Envirosite is a related party of the Company, under common management and control. Envirosite is a corporation registered in Delaware. The Company has a mutual service agreement with Envirosite. Services include, but are not limited to environmental reporting services, software support and management support. The agreement expired August 2022, but was automatically renewed for an additional 12-month term, up to sixty additional months in total.

*Cameron Cole*
Cameron Cole is a related party of the Company, under common management and control. Cameron Cole is a corporation registered in Colorado. The Company has a mutual service agreement with Cameron Cole. Services include but are not limited to business and management consulting and remediation services. The agreement expires December 2024.

*Data Integrity Solutions, Inc.*
Data Integrity Solutions, Inc. ("Data Integrity") a related party of the Company, under common management and control. Data Integrity a corporation registered in Delaware. The Company has a mutual service agreement with Data Integrity. Services include but are not limited to business and management consulting and specialized services. The agreement expired October 2022, but was automatically renewed for an additional 12-month term, up to sixty additional months in total.

*First Carbon Solutions LTD*
First Carbon Solutions LTD ("FCS LTD") is a related party of the Company, under common management and control. FCS LTD is a corporation registered in Hong Kong.

*ADEC Innovations Corporation (Formerly F-I-R-S-T Carbon Solutions Corporation)*
ADEC Innovations Corporation ("ADEC Innovations Corp") is a related party of the Company, under common management and control. ADEC Innovations Corp is registered in Makati City, Philippines. The Company has a master service agreement with ADEC Innovations Corp (formerly F-I-R-S-T Carbon Solutions Corporation). Services include, but are not limited to data and document management, business processing outsourcing, software as a solution, internal management and infrastructure, marketing, IT and infrastructure support.

*ADEC Information Knowledge Management Corporation*
ADEC Information Knowledge Management Corporation ("ADEC IKMC") is a related party of the Company, under common management and control. ADEC IKMC is a corporation registered in the Philippines. The Company has a mutual service agreement with ADEC IKMC. Services include, but are not limited to data and document management, business processing outsourcing, software as a solution, internal management and infrastructure, marketing, IT and infrastructure support. The agreement expired in April 2020, but is automatically renewed for an additional 12-month term, up to 48 additional months in total.

*FCS Global*
FCS Global is a related party of the Company, under common management and control. FCS Global is a corporation registered in Manilla. FCS Global has loaned the Company funds for working capital needs.

A summary of related party transactions:

As of December 31, 2023:

| | Related Parties | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | ADEC USA | ADEC LTD | ADEC Innovations LTD | ADEC Innovations PTY | Envriosite | FCS Global | Cameron Cole | Data Integrity | ADEC Innovations Corp | Total |
| Balance Sheet | | | | | | | | | | |
| Accounts receivable | $ 2,013 | $ 1,576 | $ - | $ 2,015 | $ 30,206 | $ - | $ 658,606 | $ - | $ - | $ 694,416 |
| Accounts payable | $ 106,595 | $ 104,025 | $ 3,856,339 | $ 34,655 | $ 6,750 | $ - | $ 220,246 | $ 1,000 | $ 391,891 | $ 4,721,501 |
| Note payable | $ - | $ - | $ - | $ - | $ - | $ 554,327 | $ - | $ - | $ - | $ 554,327 |
| Due to related parties | $ 65,000 | $ - | $ 613,000 | $ - | $ - | $ - | $ (3,000) | $ - | $ - | $ 675,000 |
| Revenues | $ 40,035 | $ - | $ - | $ - | $ 124,677 | $ - | $ 173,223 | $ - | $ - | $ 337,935 |
| Expenses | $ 147,829 | $ 155,849 | $ 527,564 | $ 170,222 | $ 303,752 | $ - | $ 325,740 | $ - | $ - | $ 1,630,956 |

## Note 9 - Leases

The Company leases certain office facilities for various terms under long-term, non-cancelable operating lease agreements. The leases expire at various dates through 2028 and provide for renewal options for a period of five years. The Company included in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. The leases provide for increases in future minimum annual rental payments based on defined increases in the agreements. Also, the agreements generally require the Company to pay real estate taxes, insurance, and repairs.

The Company elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate.

The Company has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

The Company elected the practical expedient to not separate lease and non-lease components for a real estate lease.

Total lease costs for the year ended December 31, 2023 were as follows:

| | |
|---|---|
| Operating lease cost | $ 232,500 |
| Short-term lease cost | $ 27,801 |

The following table summarizes the supplemental cash flow information for the year ended December 31, 2023**:**

| | |
|---|---|
| Cash Paid for Amounts Included in the Measurement of Lease Liabilities | |
| Operating cash flows from operating leases | $ 213,116 |

The following summarizes the weighted-average remaining lease term and weighted-average discount rate at December 31, 2023:

| | |
|---|---|
| Weighted-Average Remaining Lease Term | |
| Operating leases | 46.7 Years |
| Weighted-Average Discount Rate | |
| Operating leases | 3.44% |

The future minimum lease payments under noncancelable operating leases with terms greater than one year are listed below:

| December 31, | Operating |
|---|---|
| 2024 | $ 194,731 |
| 2025 | 150,602 |
| 2026 | 155,120 |
| 2027 | 159,773 |
| 2028 | 27,156 |
| Total lease payments | 687,382 |
| Less interest | (42,531) |
| Present value of lease liabilities | $ 644,851 |

## Note 10 - Commitments and Contingencies

**Litigation**

The Company, from time to time, is involved in certain legal matters which arise in the normal course of operations. Management believes, based in part on the advice of legal counsel, that the resolution of such matters will not have a material adverse effect on the financial position of the Company.

## Note 11 - Retirement Plans

The Company maintains a 401(k) plan (the "Plan") that covers substantially all employees. The Plan has a 401(k) provision, which allows the employees to contribute a portion of their wages. At the discretion of the Board of Directors, the Company may make discretionary matching and profit-sharing contributions to the Plan. For the year ended December 31, 2023, the Company made matching and profit-sharing contributions of $200,000 and $0, respectively to the Plan all of which was accrued for in the accompanying balance sheet.