

CU*ANSWERS, INC.

FINANCIAL STATEMENTS
September 30, 2024 and 2023

CU*ANSWERS, INC.
Grand Rapids, Michigan

FINANCIAL STATEMENTS
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INDEPENDENT AUDITOR'S REPORT

Board of Directors and Stockholders
CU*Answers, Inc.
Grand Rapids, Michigan

Opinion

We have audited the financial statements of CU*Answers, Inc., which comprise the balance sheets as of September 30, 2024 and 2023, and the related statements of income, 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 CU*Answers, Inc. as of September 30, 2024 and 2023, 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 CU*Answers, 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 CU*Answers, Inc.'s ability to continue as a going concern for one year from the date the financial statements are available to be issued.

(Continued)

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 CU*Answers, 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 CU*Answers, 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of revenues, costs of goods sold, and selling, general and administrative expenses are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Crowe LLP

Crowe LLP

Grand Rapids, Michigan
November 26, 2024

CU*ANSWERS, INC.
BALANCE SHEETS
September 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 32,932,168	\$ 30,316,500
Certificates of deposit	4,727,000	6,669,000
Accounts receivable (Note 13)	1,009,444	1,446,843
Accounts receivable - related parties	63,746	12,886
Income tax receivable (Note 3)	1,027,169	344,742
Note receivable (Note 4)	42,378	69,293
Equipment and supplies inventory	169,895	362,794
Prepaid expenses		
Maintenance contracts	3,376,644	2,790,975
Insurance	124,552	118,137
Other	1,075,352	862,001
Total current assets	44,548,348	42,993,171
Property and equipment and software		
Equipment	8,335,265	7,775,822
Software	22,115,945	21,016,675
Furniture and fixtures	1,946,857	1,886,461
Leasehold improvements	5,744,674	5,074,803
Vehicles	127,157	127,157
Software in process	2,285,498	1,085,602
	40,555,396	36,966,520
Less accumulated depreciation and amortization	30,480,441	27,925,574
	10,074,955	9,040,946
Other assets		
Right of use operating lease assets (Note 8)	9,380,236	9,229,197
Corporate owned life insurance (Note 12)	3,700,038	3,426,919
Investment in Affiliates (Note 5)	4,325,037	4,763,042
Deferred income taxes (Note 3)	970,763	-
Note receivable (Note 4)	-	42,377
Total other assets	18,376,074	17,461,535
Total assets	\$ 72,999,377	\$ 69,495,652

(Continued)

CU*ANSWERS, INC.
BALANCE SHEETS
September 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable - trade	\$ 972,428	\$ 2,298,408
Accounts payable - related parties	84,212	111,239
Patronage and dividend payable	11,479,141	8,899,981
Current portion of finance lease obligation (Note 8)	723,696	869,258
Current portion of operating lease liabilities (Note 8)	722,151	720,268
Profit sharing payable (Note 10)	1,117,160	1,042,028
Current portion of deferred compensation (Note 12)	350,000	350,000
Other liabilities	<u>3,761,210</u>	<u>3,560,085</u>
Total current liabilities	19,209,998	17,851,267
Long-term liabilities		
Long-term debt (Note 7)	6,120,000	6,240,000
Finance leases (Note 8)	253,350	665,407
Operating lease liabilities (Note 8)	9,171,979	8,967,951
Deferred compensation (Note 12)	2,082,229	2,227,229
Deferred income taxes (Note 3)	<u>-</u>	<u>330,900</u>
Total long-term liabilities	17,627,558	18,431,487
Stockholders' equity		
Common stock - par value \$10 per share; 40,000 shares authorized; shares issued and outstanding: 30,200 at September 30, 2024 and 2023 (Note 9)	302,000	302,000
Additional paid-in capital	26,479,344	25,353,953
Retained earnings	<u>9,380,477</u>	<u>7,556,945</u>
Total stockholders' equity	<u>36,161,821</u>	<u>33,212,898</u>
Total liabilities and stockholders' equity	<u>\$ 72,999,377</u>	<u>\$ 69,495,652</u>

See accompanying notes to financial statements.

CU*ANSWERS, INC.
STATEMENTS OF INCOME
Years ended September 30, 2024 and 2023

	<u>2024</u>		<u>2023</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Revenues (Note 15)	\$ 76,332,312	100.00 %	\$ 71,918,391	100.00 %
Cost of goods sold	<u>19,319,982</u>	<u>25.31</u>	<u>18,934,107</u>	<u>26.33</u>
Gross margin	57,012,330	74.69	52,984,284	73.67
Selling, general, and administrative expenses	<u>44,554,836</u>	<u>58.37</u>	<u>43,886,722</u>	<u>61.02</u>
Income before other income (expense), patronage dividends and income taxes	12,457,494	16.32	9,097,562	12.65
Other income (expense)				
Interest income	1,579,485	2.07	1,153,612	1.60
Loss on disposal of assets	(39)	-	-	-
Interest expense	(441,955)	(0.58)	(381,413)	(0.53)
Loss on impairment of investment	(500,000)	(0.66)	-	-
Gain from Affiliates	<u>689,070</u>	<u>0.90</u>	<u>680,591</u>	<u>0.95</u>
	<u>1,326,561</u>	<u>1.73</u>	<u>1,452,790</u>	<u>2.02</u>
Income before patronage dividends and income taxes	13,784,055	18.06	10,550,352	14.67
Patronage dividends	<u>10,020,368</u>	<u>13.13</u>	<u>7,559,598</u>	<u>10.51</u>
Income before income taxes	3,763,687	4.93	2,990,754	4.16
Provision for income taxes (Note 3)	<u>461,014</u>	<u>0.60</u>	<u>433,196</u>	<u>0.60</u>
Net income	<u>\$ 3,302,673</u>	<u>4.33 %</u>	<u>\$ 2,557,558</u>	<u>3.56 %</u>

See accompanying notes to financial statements.

CU*ANSWERS, INC.
STATEMENTS OF STOCKHOLDERS' EQUITY
Years ended September 30, 2024 and 2023

	<u>Common Stock Class A</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance as of, October 1, 2022	\$ 294,000	\$ 22,703,937	\$ 6,370,180	\$ 29,368,117
Redemption of 1,000 shares of Class A common stock	(10,000)	(988,984)	-	(998,984)
Issuance of 1,800 shares of Class A common stock	18,000	3,639,000	-	3,657,000
Dividends	-	-	(1,370,793)	(1,370,793)
Net income	-	-	<u>2,557,558</u>	<u>2,557,558</u>
Balances, September 30, 2023	302,000	25,353,953	7,556,945	33,212,898
Redemption of 1,000 shares of Class A common stock	(10,000)	(1,069,609)	-	(1,079,609)
Issuance of 1,000 shares of Class A common stock	10,000	2,195,000	-	2,205,000
Dividends	-	-	(1,479,141)	(1,479,141)
Net income	-	-	<u>3,302,673</u>	<u>3,302,673</u>
Balances, September 30, 2024	<u>\$ 302,000</u>	<u>\$ 26,479,344</u>	<u>\$ 9,380,477</u>	<u>\$ 36,161,821</u>

See accompanying notes to financial statements.

CU*ANSWERS, INC.
STATEMENTS OF CASH FLOWS
September 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Net income	\$ 3,302,673	\$ 2,557,558
Adjustments to reconcile net income to net cash provided by operating activities		
Investments in affiliates	(689,070)	(680,591)
Depreciation and amortization	3,333,547	3,160,241
Loss on disposal of assets	39	-
Loss on impairment of investment	500,000	-
Deferred income taxes	(1,301,663)	(262,175)
Cash value of life insurance	(273,119)	(256,265)
Changes in assets and liabilities		
Accounts receivable	386,539	131,043
Income taxes	(682,427)	1,090,635
Prepaid expenses	(805,435)	(1,811,956)
Equipment and supplies inventory	192,899	484,703
Right of use asset & lease liability	54,872	459,022
Accounts payable	(1,353,007)	1,752,601
Other liabilities	2,581,257	353,061
Net cash from operating activities	5,247,105	6,977,877
Cash flows from investing activities		
Certificates of deposit	1,942,000	(5,805,105)
Purchases of investment in affiliates	-	(27,502)
Proceeds from sale of affiliates	383,069	-
Purchases of property, equipment and software	(4,071,051)	(2,851,610)
Dividends from affiliate	244,006	208,492
Cash received on note receivable	69,292	65,267
Net cash from investing activities	(1,432,684)	(8,410,458)
Cash flows from financing activities		
Payments on long-term debt	(120,000)	(120,000)
Payments on finance lease obligations	(854,163)	(790,858)
Dividends paid	(1,349,981)	(1,199,767)
Proceeds from issuance of stock	2,205,000	3,657,000
Payments on redemption of stock	(1,079,609)	(998,984)
Net cash from financing activities	(1,198,753)	547,391
Net change in cash and cash equivalents	2,615,668	(885,190)
Cash and cash equivalents, beginning of year	30,316,500	31,201,690
Cash and cash equivalents, end of year	\$ 32,932,168	\$ 30,316,500

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CU*ANSWERS, INC.
STATEMENTS OF CASH FLOWS
September 30, 2024 and 2023

	<u>2024</u>		<u>2023</u>
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest paid	\$ 441,955	\$	381,413
Income taxes paid	2,445,103		395,050
Supplemental disclosures of noncash investing and financing activities:			
Recording the operating right of use assets and lease liabilities upon adoption of ASC 842	\$ -	\$	4,228,426
Financing activity - dividends declared but unpaid	1,479,141		1,349,981
Finance lease obligations entered into during the year	296,544		200,650
Operating lease obligations entered into during the year	877,988		6,276,244

See accompanying notes to financial statements.

NOTE 1 – NATURE OF BUSINESS

Nature of Business: CU*Answers, Inc. (CU*Answers or “the Corporation”) provides automated processing services for credit unions throughout the United States. CU*Answers, Inc. also markets a software product and provides support to customers throughout the country with a concentration in Michigan. Revenue is recognized based on the number of members for each of its credit union customers as services are performed. Additionally, CU*Answers, Inc. receives revenue from sales of certain software and computer hardware products as they are sold. CU*Answers, Inc. is organized as a credit union service organization (CUSO) and a co-operative.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Recently Adopted Accounting Pronouncements: Effective October 1, 2023, the Company adopted Accounting Standards Update (ASU) 2016-13, *Credit Losses – Measurement of Credit Losses on Financial Instruments*. The Company adopted the new credit loss standard and all of the related amendments, which replaced the incurred loss impairment method with a method that reflects lifetime expected credit losses. Adoption of the ASU had no impact on these financial statements. The comparative information has not been restated and continues to be reported under the accounting standard in effect for those periods.

Reclassifications: Prior year amounts have been reclassified to conform with the current year’s presentation. These reclassifications had no effect on net income of stockholders’ equity.

Revenue Recognition: The Corporation recognizes revenue from contracts with customers when (or as) control of the promised goods or services transfers to the customer. For product revenue, this generally occurs when the product is delivered to the customer. For service revenue, this generally occurs as the services are provided to the customer. Revenue is recorded at the amount of consideration the Corporation expects to be entitled to in exchange for the goods or services, which includes an estimate of expected returns or refunds when applicable. Revenue is recorded net of sales tax. For more information about the Corporation’s revenue from contracts with customers, refer to Note 15, Revenue Recognition.

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 Corporation 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 Corporation sells to customers using credit terms customary in their industry. Interest is not normally charged on receivables. Management establishes a reserve for losses on their 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 losses since management expects that all accounts receivable are fully collectible at September 30, 2024 and 2023. Accounts receivable, including accounts receivable with related parties, was approximately \$1,591,000 at October 1, 2022.

Equipment and Supplies Inventory: Inventories, which consist primarily of equipment and supplies for sale, are stated at the lower of cost or net realizable value, with cost determined by using the specific identification method.

(Continued)

CU*ANSWERS, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2024 and 2023

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs: The Corporation expenses advertising costs as incurred. Advertising costs for the years ended September 30, 2024 and 2023 were \$719,985 and \$659,536, respectively.

Property and Equipment: Property and equipment are stated at cost less accumulated depreciation. Depreciation is provided by use of straight-line and accelerated methods over the estimated useful lives of the assets. Leasehold improvements are depreciated over the estimated 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. Depreciation expense was approximately \$1,900,000 and \$1,719,000 for the years ended September 30, 2024 and 2023, respectively.

Computer Software: The Corporation accounts for development costs related to software products to be sold, leased, or otherwise marketed as follows: software development costs are expensed as incurred until technological feasibility has been established, at which time such costs are capitalized until the product is available for general release to customers. These capitalized costs are subject to an ongoing assessment of recoverability based on anticipated future revenues and changes in hardware and software technologies. Costs that are capitalized include direct labor and consulting fees.

Amortization of capitalized software development costs begins when the product is available for general release to customers. Amortization is computed as the greater of (1) the ratio of current gross revenues for a product to the total of current and anticipated future gross revenues for the product or (2) the straight-line method over the estimated economic life of the product.

Unamortized costs were approximately \$2,990,000 and \$3,366,000 at September 30, 2024 and 2023, respectively. Amortization expense was approximately \$1,434,000 and \$1,441,000 for the years ended September 30, 2024 and 2023, respectively.

Leases: At the inception of an arrangement, the Corporation 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, current portion of operating lease liabilities and operating lease liabilities on the balance sheets. Finance leases are included in property, plant, and equipment and current portion finance lease obligation and finance leases on the balance sheets. 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 sheets.

ROU assets represent the Corporation'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.

Long-Lived Assets: The Corporation reviews property, equipment and computer software for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If it is determined that an impairment loss has occurred based on expected future undiscounted cash flows from operations, a current charge to income is recognized, and the carrying amount of the long-lived asset is adjusted.

(Continued)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Corporate Owned Life Insurance: The Corporation owns life insurance policies on individuals. Corporate owned life insurance is reported at its cash surrender value, less outstanding policy loans, or the amount that can be realized.

Customer Deposits: Customer deposits (contract liabilities) represent advance payments received from customers for software purchases, installation and support services. Revenue related to these contracts is recognized upon successful installation. The Corporation has included deferred revenue of approximately \$1,810,000 and \$1,030,000 at September 30, 2024 and 2023, respectively, in other liabilities on the balance sheets.

Patronage Dividends: Patronage dividends reflect discretionary distributions to shareholders, as approved by the Board of Directors. These distributions are limited to a portion of the net earnings of the Corporation from business done with their shareholders and are allocated to individual shareholders based upon the volume of business done with the Corporation.

Income Taxes: The Corporation records income tax expense based on the amount of taxes due on their tax returns plus deferred taxes computed based on the expected future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities, using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

Uncertain tax positions are recognized and measured under provisions of FASB ASC 740. These provisions require the Corporation 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 Corporation 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, 2024 and 2023 for tax related interest and penalties.

The Corporation is no longer subject to examination for federal tax years before 2020 and for state income taxes before 2019. The Corporation 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 reported amounts of revenues and expenses during the reporting period. These estimates and assumptions may change in the near future resulting in different actual results. Estimates associated with allowance for credit losses, deferred income taxes, lives of fixed assets, and the value of the investment in affiliates are particularly susceptible to material change in the near term.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to September 30, 2024 to determine the need for any adjustments to and/or disclosures within these financial statements for the year ended September 30, 2024. Management has performed their analysis through November 26, 2024, the date the financial statements were available for issuance and has determined that there are no subsequent events to disclose.

(Continued)

CU*ANSWERS, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2024 and 2023

NOTE 3 – INCOME TAXES

The provision (benefit) for income taxes consists of the following:

	<u>2024</u>	<u>2023</u>
Current state tax expense	\$ 474,904	\$ 199,836
Current federal tax expense (benefit)	1,287,773	495,535
Deferred tax expense (benefit)	<u>(1,301,663)</u>	<u>(262,175)</u>
	<u>\$ 461,014</u>	<u>\$ 433,196</u>

Deferred tax assets and liabilities are as follows:

	<u>2024</u>	<u>2023</u>
Deferred tax assets	\$ 5,392,555	\$ 3,807,680
Deferred tax liabilities	(4,421,792)	(4,132,359)
Valuation allowance	<u>-</u>	<u>(6,221)</u>
	<u>\$ 970,763</u>	<u>\$ (330,900)</u>

Income tax expense differs from expense at statutory rates due to the effect of graduated tax rates, nondeductible expenses, and the effects of the research and development credit. Significant temporary differences between financial statements and tax returns include investments, intangible assets, accumulated depreciation, accumulated amortization, prepaid expenses, deferred revenue, and deferred compensation.

The valuation allowance reduces deferred tax assets to the amount expected to be realized, and relates to the Corporation's investment in eDOC Innovations, Inc. The Corporation has recorded a deferred tax asset and related valuation allowance for the basis difference between financial statements and tax returns for the investment in eDOC Innovations, Inc., as it is unlikely that the asset will be realized. During 2024, the valuation allowance was reduced to \$0.

NOTE 4 - NOTE RECEIVABLE

Note receivable consists of the following:

	<u>2024</u>	<u>2023</u>
Note receivable from a company; dated April 13, 2015, including interest of 6% due quarterly per annum. Converting to a three year note on April 12, 2022, including interest of 6%, with principal and interest due monthly, matures on April 12, 2025.	\$ 42,378	\$ 111,670
	42,378	111,670
Less current portion	<u>(42,378)</u>	<u>(69,293)</u>
Note receivable long-term portion	<u>\$ -</u>	<u>\$ 42,377</u>

(Continued)

CU*ANSWERS, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2024 and 2023

NOTE 5 – INVESTMENT IN AFFILIATES

CU*Answers is a minority shareholder in eDOC Innovations, Inc. with a 48.612% ownership interest as of September 30, 2024 and 2023. The investment is accounted for under the equity method. At September 30, 2024 and 2023, the investment in eDOC Innovations, Inc. was \$4,189,456 and \$3,794,102, respectively.

Condensed audited financial information of eDOC Innovations, Inc. as of and for the years ended September 30, 2024 and 2023 is presented as follows:

	Year Ended September 30, <u>2024</u>	Year Ended September 30, <u>2023</u>
Total assets	\$ 9,433,825	\$ 8,950,931
Total liabilities	\$ 1,360,425	\$ 1,549,622
Members'/stockholders' equity	<u>8,073,400</u>	<u>7,401,309</u>
	<u>\$ 9,433,825</u>	<u>\$ 8,950,931</u>
Net sales	\$ 7,330,212	\$ 6,747,957
Expenses	<u>6,089,264</u>	<u>5,573,403</u>
Net income	<u>\$ 1,240,948</u>	<u>\$ 1,174,554</u>

CU*Answers purchased 20% ownership in Site-Four, LLC in July 2012. The investment of \$25,000 is accounted for under the equity method. Ownership increased to 25% in June 2024. At September 30, 2024 and 2023, the investment in Site-Four, LLC was \$130,581 and \$108,501, respectively. During the years ended September 30, 2024 and 2023, no impairment was recorded.

CU*Answers purchased 5% ownership in CU*Outdoors in August 2021 for a cash investment of \$350,000 and \$150,000 credit for future services. At September 30, 2024 and 2023, the investment in CU*Outdoors was \$0 and \$500,000, respectively. The Corporation determined there was no readily determinable fair value and has recorded the investment at cost less any impairment incurred. During the year ended September 30, 2024 the Company recorded impairment of \$500,000. There was no impairment recorded for the year ended September 30, 2023.

CU*Answers purchased a 4% investment in Payveris in September 2015. Payveris provided licensing services to CU*Answers customers. During 2021, Payveris was acquired by Paymentus and the Corporation received total consideration of \$1,268,576 for its investment in Payveris. The consideration consisted of \$708,653 of cash and 21,412 publicly-traded shares of Paymentus stock valued at \$559,924. As a result of the transaction, the Corporation recorded as investment in affiliates on September 30, 2021 of \$559,924, the value of the stock received. In December 2023, the Corporation sold their Paymentus stock for \$383,069, resulting in a realized gain of \$27,629. At September 30, 2024 and 2023, the investment in Paymentus was adjusted to fair value of \$0 and \$355,439, respectively, based upon the on quoted stock price. The change in fair value is included in gain from affiliates on the statements of income for the years ended September 30, 2024 and 2023. During the years ended September 30, 2024 and 2023, no impairment was recorded.

(Continued)

CU*ANSWERS, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2024 and 2023

NOTE 5 – INVESTMENT IN AFFILIATES (Continued)

CU*Answers purchased 1.25% ownership in Xtend, Inc in November 2002 for \$5,000. The Corporation determined there was no readily determinable fair value and has recorded the investment at cost less any impairment incurred. At September 30, 2024 and 2023, the investment in Xtend, Inc. was \$5,000.

NOTE 6 – LINE OF CREDIT

CU*Answers has available a revolving line of credit with Alloya Corporate Federal Credit Union (Alloya), dated December 27, 2000, with no set maturity date. The agreement provides for maximum borrowings of \$100,000 with interest payable monthly based upon Alloya's standard rate. The available line of credit is secured by specific assets of CU*Answers. There were no borrowings on the line at September 30, 2024 and 2023.

NOTE 7 – LONG-TERM DEBT

Long-term debt consists of the following:

	<u>2024</u>	<u>2023</u>
2022 debenture offerings; 102 and 104 - \$60,000 debentures at September 30, 2024 and 2023, respectively; payable in full on June 30, 2027; interest payable quarterly at prime plus 0.5%. Interest rates adjusted annually and are limited to a 1% adjustment with a 7.0% ceiling and 3.0% floor. The interest rate was 8.50% and 8.25% at September 30, 2024 and 2023, respectively.	\$ 6,120,000	\$ 6,240,000
Total long-term debt	<u>\$ 6,120,000</u>	<u>\$ 6,240,000</u>

NOTE 8 – LEASE COMMITMENTS

The Corporation leases its facilities under noncancelable lease agreements, expiring at various dates through 2035. The Corporation's total expense charged to operations for operating leases was approximately \$1,131,000 and \$1,065,000 for the years ended September 30, 2024 and 2023, respectively.

The Corporation leases equipment under finance leases expiring at various dates through 2028. Obligations under finance leases are collateralized by the leased equipment, which consists of equipment with a cost of \$2,953,645 and \$2,861,075 and accumulated depreciation of \$1,661,815 and \$1,267,996 at September 30, 2024 and 2023, respectively.

The Corporation has recorded right of use operating assets, current portion of operating lease liabilities, and operating lease liabilities on the balance sheets at September 30, 2024 and 2023. The Corporation has include the net book value of finance leases within property, plant and equipment with a corresponding current portion finance lease obligation and finance leases on the balance sheets at September 30, 2024 and 2023, respectively. The weighted average remaining lease life was 9.18 years and 9.81 years at September 30, 2024 and 2023, respectively. The weighted average discount rate used was 4.47% and 4.33% at September 30, 2024 and 2023, respectively.

(Continued)

CU*ANSWERS, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2024 and 2023

NOTE 8 – LEASE COMMITMENTS (Continued)

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

	Operating <u>Leases</u>	Finance <u>Leases</u>	<u>Total</u>
2025	\$ 1,080,875	\$ 782,449	\$ 1,863,324
2026	1,108,542	183,443	1,291,985
2027	1,139,607	48,941	1,188,548
2028	1,175,020	6,402	1,181,422
2029	1,205,821	-	1,205,821
Thereafter	6,235,601	-	6,235,601
Total future minimum lease payments	<u>11,945,466</u>	<u>1,021,235</u>	<u>12,966,701</u>
Less amounts representing interest	<u>(2,051,336)</u>	<u>(44,189)</u>	<u>(2,095,525)</u>
Present value of lease liabilities	<u>\$ 9,894,130</u>	<u>\$ 977,046</u>	<u>\$ 10,871,176</u>

NOTE 9 – CAPITAL STOCK

CU*Answers can issue Class A and Class B stock. Only Class A shares carry voting rights and only holders of Class A shares can purchase Class B shares. All shares contain transfer restrictions.

CU*Answers is obligated to pay dividends on both classes of stock. The rate for Class A is between 4% and 8% of book value and the rate for Class B is between 4% and 8% of the par value of the shares. The rate paid is at the discretion of the Board of Directors.

CU*Answers is obligated to purchase shares of stock of withdrawing stockholders. Payment for Class A and Class B shares is required within 30 days. The purchase price for both classes of stock is the book value of the stock as of the end of the prior fiscal year. The Corporation does not have any purchase obligations as of September 30, 2024.

NOTE 10 – RETIREMENT PLANS

The Corporation maintains a 401(k) plan in which substantially all of its employees may participate. The plan includes a provision for the Corporation to match a percentage of the employees' contributions at a rate prescribed in the plan agreement. The Corporation's contributions to the plan resulted in expense of \$1,123,134 and \$1,042,028 for the years ended September 30, 2024 and 2023, respectively.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

The Corporation established a self-funded group health insurance plan. The Corporation has acquired stop-loss insurance for the group health plan which limits its liability to \$100,000 per individual, on an annual basis. The Corporation has accrued approximately \$900,000 and \$1,904,000 at September 30, 2024 and 2023, respectively, in other liabilities, for claims that have been incurred but not reported related to the group health insurance plan.

(Continued)

NOTE 12 – DEFERRED COMPENSATION AGREEMENTS

CU*Answers maintains supplemental retirement plans for selected officers. CU*Answers has purchased insurance contracts on the lives of certain participants in the supplemental retirement plans and has named CU*Answers as the beneficiary. CU*Answers is recording an expense equal to the projected present value of the payments due at retirement based on the projected remaining years of service. The obligation under the plans was \$2,432,229 and \$2,577,229 at September 30, 2024 and 2023, respectively. The Corporation included \$350,000 in current portion of deferred compensation at September 30, 2024 and 2023 for expected annual payments to a retired officer. The Corporation paid \$350,000 during the years ended September 30, 2024 and 2023 to a retired officer. The expense attributable to the plans, included in selling, general, and administrative expenses on the statements of income was \$205,000 and \$175,000 for the years ended September 30, 2024 and 2023, respectively. The cash surrender value of the Corporate owned life insurance was \$3,700,038 and \$3,426,919 at September 30, 2024 and 2023, respectively.

NOTE 13 – RELATED PARTY TRANSACTIONS

CU*Answers is a minority shareholder of eDOC Innovations, Inc. (eDOC). eDOC provides software and specialized consulting services, specifically relating to document management systems, to credit unions and savings and loan institutions throughout the United States. CU*Answers provides services in the normal course of business, managed network services and operational support services including the use of office space, computer equipment and various human resources to eDOC of \$817,207 and \$739,296 for the years ended September 30, 2024 and 2023, respectively. eDOC provides services to the Corporation the normal course of business. Purchases from eDOC for these transactions was approximately \$571,000 and \$468,000 for the years September 30, 2024 and 2023. Amounts due from eDOC included in accounts receivable – related parties were \$50,692 and \$2,094 at September 30, 2024 and 2023, respectively. The Corporation also had accounts payable due to eDOC of \$47,756 and \$45,565 at September 30, 2024 and 2023, respectively. The investment in eDOC is accounted for using the equity method, see Note 5 for further discussion of this investment.

CU*Answers provides services to all of its stockholders. Revenues from transactions with stockholders constituted 76% and 77% of total revenues during fiscal 2024 and 2023, respectively. At September 30, 2024 and 2023, 47% and 38%, respectively, of the CU*Answers' accounts receivable were from its stockholders. Cash and cash equivalents, including certificates of deposit, held at stockholder credit unions totaled approximately \$7,320,892 and \$9,551,274 at September 30, 2024 and 2023, respectively.

CU*Answers is a minority shareholder of Xtend, Inc. (Xtend). Xtend provides managerial, operational and technical planning and consulting, outsourcing of technical and human resources, and coordination of marketing efforts for financial services. CU*Answers provides services to Xtend through the normal course of business and operational support services, bookkeeping and various human resource services. Revenue received by CU*Answers, Inc. for these services totaled \$183,961 and \$147,786 for the years ended September 30, 2024 and 2023, respectively. Xtend provides services to the Corporation in the normal course of business. Purchases from Xtend for these transactions was approximately \$527,513 and \$613,729 for the years ended September 30, 2024 and 2023, respectively. Amounts due from Xtend included in accounts receivable – related parties were \$12,211 and \$10,792 at September 30, 2024 and 2023, respectively. The Corporation also had accounts payable due to Xtend of \$34,596 and \$51,979 at September 30, 2024 and 2023, respectively. The investment in Xtend is accounted for using the cost method.

(Continued)

NOTE 13 – RELATED PARTY TRANSACTIONS (Continued)

CU*Answers is a minority shareholder of CU*Northwest, Inc. (CU*NW). CU*Answers provides services including software licensing and financial support services to CU*NW in the normal course of business. Revenue received by CU*Answers for these services \$2,184,245 and \$2,363,206 for the years ended September 30, 2024 and 2023, respectively. Amounts due from CU*NW included in accounts receivable – related parties were \$843 and \$0 at September 30, 2024 and 2023, respectively. The Corporation also had accounts payable due to CU*NW of \$1,860 and \$5,295 at September 30, 2024 and 2023, respectively.

NOTE 14 – FAIR VALUE

Statement 157 (FASB ASC 820 under new codification) establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair values of money market accounts, included in cash and cash equivalents, are determined based upon their quoted redemption prices and recent transaction prices of \$1.00 per share (Level 2 inputs), with no discounts for credit quality or liquidity restriction. Money market accounts are measured at fair value on a recurring basis and total \$23,183,748 and \$23,183,400 at September 30, 2024 and 2023, respectively. In addition, the Payveris investment, as disclosed in Note 5, is measured at fair value on an annual basis using Level 1 inputs.

NOTE 15 – REVENUE RECOGNITION

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

The Corporation has two revenue streams as detailed below:

Credit Union Services – This revenue stream includes various services to credit unions including core data processing, statement and notices processing, software and equipment maintenance, bill pay services, ancillary services, audit link services, accenture mortgage cadence, telephone and data lines services, archiving services, licensing services, credit bureau reporting, custom programming services, mortgage servicing, conversions, indirect loan delivery, and text banking. The Corporation'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.

(Continued)

NOTE 15 – REVENUE RECOGNITION (Continued)

Equipment, Software, and Licensing Resale – This revenue stream includes the resale of hardware and software goods. The Corporation’s primary performance obligation consists of delivery of the goods in accordance with the terms of the relevant contract. Revenue is recognized when control of the promised goods transfers to the Corporation’s customers which is generally upon delivery.

The Corporation either invoices the customer upon completion of the promised services or delivery of the goods, at which time it has an unconditional right to payment, or invoices at the start of the service period, resulting in a 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.

The Corporation may receive advance payments from customers which are not recognized until satisfying the performance obligations by completion of the service. The Corporation assesses the expected satisfaction of performance obligations related to the prepayment and has recorded a contract liability deferred revenue of approximately \$1,810,000 and \$1,030,000 at September 30, 2024 and 2023, respectively, in other liabilities on the balance sheets.

The timing of revenue recognition and billings results in billed accounts receivable and customer deposits (e.g. contract liability) on the balance sheet. These contract liabilities are reported on the balance sheet on a contract-by-contract basis at the end of each reporting period as customer deposits. Customer deposits relate to invoices issued in advance of performance obligations under the contract and are recognized as revenue when the Company performs its obligation under the contract.

Significant Judgments and Practical Expedients Applied: Revenue is measured as the amount of consideration the Corporation 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 Corporation’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 Corporation elected a practical expedient related to significant financing components, where the Corporation 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 Corporation 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 Corporation otherwise would have capitalized is one year or less. These costs are included in selling, general and administrative expenses on the statements of income.

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

SUPPLEMENTARY INFORMATION

CU*ANSWERS, INC.
SCHEDULES OF REVENUES, COST OF GOODS SOLD, AND
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES
Years ended September 30, 2024 and 2023

	<u>2024</u>		<u>2023</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Revenues				
On-line	\$ 60,108,352	78.75 %	\$ 56,886,571	79.10 %
Self processing	660,851	0.87	767,724	1.07
CNS	13,058,005	17.11	11,916,630	16.57
External	<u>2,505,104</u>	<u>3.27</u>	<u>2,347,466</u>	<u>3.26</u>
	76,332,312	100.00	71,918,391	100.00
Cost of goods sold				
On-line	10,182,105	13.34	9,660,426	13.44
Self processing	2,450,367	3.21	2,901,848	4.03
CNS	5,563,329	7.29	5,409,889	7.52
External	<u>1,124,181</u>	<u>1.47</u>	<u>961,944</u>	<u>1.34</u>
	<u>19,319,982</u>	<u>25.31</u>	<u>18,934,107</u>	<u>26.33</u>
Gross margin	<u>\$ 57,012,330</u>	<u>74.69 %</u>	<u>\$ 52,984,284</u>	<u>73.67 %</u>
Selling, general and administrative expenses				
Salaries and wages	\$ 22,224,189	29.12 %	\$ 20,630,483	28.69 %
Bonuses and commissions	5,819,325	7.62	5,268,243	7.33
Employee benefits	5,425,851	7.11	6,817,028	9.48
Office and computer supplies	285,052	0.37	444,772	0.61
Utilities	271,951	0.36	567,684	0.79
Property taxes	54,702	0.07	42,000	0.06
Repairs and maintenance	2,194,232	2.87	2,064,442	2.87
Rent	1,130,833	1.49	1,065,016	1.48
Insurance	152,227	0.20	143,125	0.20
Depreciation and amortization	3,333,547	4.37	3,160,241	4.39
Professional services	520,711	0.68	444,441	0.62
Purchased services	402,852	0.53	502,724	0.70
Disaster recovery fees	457,629	0.60	443,240	0.62
Travel and entertainment	954,816	1.25	1,078,983	1.50
Advertising	719,985	0.94	659,536	0.92
Postage and freight	192,548	0.25	167,062	0.23
Donations	(1,001)	-	3,711	0.01
Miscellaneous	<u>415,387</u>	<u>0.54</u>	<u>383,991</u>	<u>0.52</u>
	<u>\$ 44,554,836</u>	<u>58.37 %</u>	<u>\$ 43,886,722</u>	<u>61.02 %</u>