CU*SOUTH, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDING DECEMBER 31, 2023 AND 2022

Hauser Jones & Sas

CU*SOUTH, INC.

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INDEPENDENT AUDITORS' REPORT

Mr. Thomas Flowers, Chairman
Board of Directors and Stockholders
CU*SOUTH, Inc.
23210 US Highway 98, Suite B1
Fairhope, AL 36532

Hauser Jones & Sas

Certified Public Accountants
& Trusted Advisors

10940 NE 33rd Place
Suite 100
Bellevue, WA 98004

P 425.889.1778
F 425.889.1178

hauserjonesandsas.com

Opinion

We have audited the accompanying financial statements of CU*SOUTH, Inc. (a corporation), which comprise the balance sheet as of December 31, 2023 and 2022, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CU*SOUTH, Inc. as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CU*SOUTH, 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 these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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*SOUTH, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 generally accepted auditing standards 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, including omissions, are considered material if there is a substantial likelihood that, individual or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement 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*SOUTH, 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about CU*SOUTH, 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.

HAUSER JONES & SAS PLLC

Hauser Jones and Sas PLLC

Bellevue, Washington
April 5, 2024

CU*SOUTH, INC.
BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

ASSETS

	2023	2022
CURRENT ASSETS		
Cash	$ 1,778,055	$ 1,896,996
Trade accounts receivable, net of allowance of $50,658 for the years ended December 31, 2023 and 2022	1,231,195	1,141,143
Employee retention credit receivable	265,651	892,900
Certificate of deposit	255,148	-
Financing lease right of use asset	837,921	-
Prepaid expenses and other assets	114,388	150,359
Total current assets	4,482,358	4,081,398
NONCURRENT ASSETS		
Goodwill	3,748,000	3,748,000
Property and equipment	149,826	151,920
Contract acquisition costs	182,044	186,194
Deferred tax assets	285,909	-
Equity securities	25,000	25,000
Total noncurrent assets	4,390,779	4,111,114
Total assets	$ 8,873,137	$ 8,192,512

LIABILITIES AND STOCKHOLDERS' EQUITY

	2023	2022
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 1,094,933	$ 874,506
Deferred income	224,414	858,604
Financing lease liability	841,570	-
Income taxes payable	-	16,936
Current portion of long-term debt	125,000	125,000
Total current liabilities	2,285,917	1,875,046
NONCURRENT LIABILITIES		
Long-term debt, less current maturities	625,000	750,000
Deferred tax liabilities	256,455	180,077
Total noncurrent liabilities	881,455	930,077
Total liabilities	3,167,372	2,805,123
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common stock - Class A	4,218,912	4,218,912
Retained earnings	1,486,853	1,168,477
Total stockholders' equity	5,705,765	5,387,389
Total liabilities and stockholders' equity	$ 8,873,137	$ 8,192,512

CU*SOUTH, INC.
STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE YEARS ENDING DECEMBER 31, 2023 AND 2022

	2023	2022
INCOME		
CU*Base software, support, and network services	$ 2,948,512	$ 2,415,734
Essential services	2,744,082	2,321,475
Cards and shared branching processing fees	1,781,487	1,540,443
CU*Answers Pass-through billing revenue	900,427	867,983
CU*Base operation fees	646,142	513,647
E-Commerce	611,860	495,051
Other	351,254	327,417
Total income	9,983,764	8,481,750
COST OF SERVICES AND PROCESSING		
CU*Answers online licensing and processing	1,861,465	1,601,218
CU*Answers Pass-through billing expense	768,566	825,028
Site Four operations services	558,272	496,988
Essential services	232,296	164,166
Other costs of sales	350,989	209,043
Total cost of services and processing	3,771,588	3,296,443
GROSS PROFIT	6,212,176	5,185,307
OPERATING EXPENSES		
Salaries and benefits	4,404,460	4,046,813
Office occupancy	190,435	208,560
Professional fees	207,150	665,305
Sales, marketing, and communications	378,823	262,609
Operating expense	219,364	175,418
Administrative	127,793	229,083
Essential services expense	198,624	175,870
Insurance	44,960	47,891
Total operating expenses	5,771,609	5,811,549
OTHER INCOME (EXPENSE)		
Interest income	26,231	9,357
Other income	27,402	893,001
Interest expense	(46,775)	(19,974)
Income tax benefit (expense)	37,968	(74,751)
Other expense	(5,400)	(250)
Total other income	39,426	807,383
NET INCOME AND COMPREHENSIVE INCOME	$ 479,993	$ 181,141

The accompanying notes are an integral part of these financial statements.

CU*SOUTH, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDING DECEMBER 31, 2023 AND 2022

	Common Stock			Retained	
	Shares	**Class A**	**Class B**	**Earnings**	**Total**
Balance, December 31, 2021	91	$ 3,838,912	$ -	$ 1,134,720	$ 4,973,632
Common stock					
Class A issued	4	380,000	-	-	380,000
Class A redemptions	-	-	-	-	-
Net income and comprehensive income	-	-	-	181,141	181,141
Dividends paid	-	-	-	(147,379)	(147,379)
Balance, December 31, 2022	95	$ 4,218,912	-	$ 1,168,482	$ 5,387,394
Common stock					
Class A issued	-	-	-	-	-
Class A redemptions	-	-	-	-	-
Net income and comprehensive income	-	-	-	479,993	479,993
Dividends paid	-	-	-	(161,622)	(161,622)
Balance, December 31, 2023	95	$ 4,218,912	$ -	$ 1,486,853	$ 5,705,765

The accompanying notes are an integral part of these financial statements.

CU*SOUTH, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDING DECEMBER 31, 2023 AND 2022

	2023	2022
OPERATING ACTIVITIES		
Net income:	$ 479,993	$ 181,141
Depreciation and amortization	67,491	126,499
Deferred income tax (benefit) expense	(37,968)	37,440
Net change in:		
Receivables	(90,052)	(486,259)
Employee retention credit receivable	627,249	(892,900)
Prepaid expenses and other assets	33,921	310,654
Income tax accounts, net	(150,531)	27,766
Accounts payable and accrued expenses	198,273	297,232
Deferred income	(634,190)	398,899
Contract acquisition costs	4,150	(107,243)
Net cash used by operating activities	498,336	(106,771)
INVESTING ACTIVITIES		
Purchase of property and equipment	(65,397)	(78,482)
Purchase of certificate of deposit	(255,148)	-
Net cash used by investing activities	(320,545)	(78,482)
FINANCING ACTIVITIES		
Dividends paid	(161,617)	(147,379)
Payments on long-term debt	(125,000)	(125,000)
Proceeds from Class A common stock issuance	-	380,000
Net cash provided by financing activities	(286,617)	107,621
NET DECREASE IN CASH	(108,826)	(77,632)
CASH		
Beginning of period	1,896,996	1,974,628
End of period	$ 1,788,170	$ 1,896,996

The accompanying notes are an integral part of these financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of CU*SOUTH, Inc. ("Company") is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Nature of Operations

The Company is a credit union service organization (CUSO) that provides a variety of services to its credit union customers, many of whom are also the Class A stockholders of the Company. These services include, but are not limited to, processing credit union member statements, processing transactions such as check, ACH, ATM, and Debit entries, and providing technical support to the credit unions. The Company provides credit in the normal course of business to its customers and performs ongoing credit evaluations of those customers. Credit losses, if any, have been within the range of the Company's expectations and have not been significant.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

The most significant estimates include the valuation of goodwill, the carrying amount of contract acquisition costs and deferred income, the allowance for doubtful accounts on trade accounts receivable, the useful lives of property and equipment, and the valuation of deferred tax assets.

Accounts Receivable

Trade accounts receivable are recorded at the amount the Company expects to collect on balances outstanding at period-end. Management closely monitors outstanding balances and writes off, as of period-end, all balances that are deemed to be uncollectible. Management considers all trade accounts receivable fully collectible at December 31, 2023 and 2022.

The Employee Retention Credit (ERC) was applied for, awarded, and a receivable booked into other non-operating income during the year ended December 31, 2022, in the amount of $892,900. The Company received a portion of the funds during 2023, totaling approximately $627,000. ERCs were established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, P.L. 116-136, in March 2020 to help businesses retain employees. Eligible businesses that experienced a full or partial government-ordered suspension of operations or a "significant" decline in gross receipts in any quarter (more than 50% decrease in 2020 from 2019, and more than 20% in 2021) could receive a quarterly refundable payroll tax credit. ERCs are claimed primarily on federal payroll tax forms.

Advertising Costs

Advertising and sales costs were $378,823 and $349,450 for the years ended December 31, 2023 and 2022, respectively.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of federal and state income taxes currently due.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

Effective January 1, 2023, the Company adopted FASB ASC 842, Leases. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. The Company evaluates contracts at inception to determine if an arrangement is or contains a lease. Financing leases are included in financing lease right-of-use (ROU) assets and financing lease liabilities in our statement of financial condition. The Company's financing lease is for its main office for operations. The Company has no operating leases or short-term leases.

Financing lease ROU assets represent the Company's right to use an underlying asset for the lease term, and financing lease liabilities represent the obligation to make lease payments arising from the lease. Financing lease ROU assets and liabilities are recognized at commencement date based on the present value of the future lease payments over the lease term. The Company's lease does not provide an implicit rate, so an incremental borrowing rate of 3.84% at December 31, 2023, based on the information available at commencement date, is used in determining the present value of lease payments. The incremental borrowing rate is reevaluated upon lease modification. The financing lease ROU asset also included initial direct costs and prepaid lease payments made, if any, less lease incentives, if any. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option.

Revenue Recognition

The Company generates services and support revenue through software licensing and related services, outsourcing core and complementary software solutions, professional services, and hardware sales. The Company generates processing revenue through processing of remittance transactions, card transactions and monthly fees, and digital transactions.

Identification of Performance Obligations

The Company enters into contracts with customers that may include multiple types of goods and services. At contract inception, the Company assesses the solutions and services promised in its contracts with customers and identifies a performance obligation for each promise to transfer to the customer a solution or service (or bundle of solutions or services) that is distinct - that is, if the solution or service is separately identifiable from other items in the arrangement and if the customer can benefit from the solution or service on its own or together with other resources that are readily available. Significant judgment is used in the identification and accounting for all performance obligations. The Company recognizes revenue when or as it satisfies each performance obligation by transferring control of a solution or service to the customer.

Determination of Transaction Price

The amount of revenue recognized is based on the consideration the Company expects to receive in exchange for transferring goods and services to the customer. The Company's contracts with its customers frequently contain some component of variable consideration.

The Company estimates variable consideration in its contracts primarily using the expected value method, based on both historical and current information. Significant judgment is used in the estimate of variable consideration of customer contracts that are long-term and include uncertain transactional volumes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Taxes collected from customers and remitted to governmental authorities are not included in revenue. Additionally, the Company does not include reimbursements from customers for expenses incurred in providing services (such as for postage, travel, and telecommunications costs) in revenue, while the related costs are also not included in cost of revenue. Technology or service components from third parties are frequently included in or combined with the Company's applications or service offerings. Whether the Company recognizes revenue based on the gross amount billed to the customer or the net amount retained involves judgment in determining whether the Company controls the good or service before it is transferred to the customer. This assessment is made at the performance obligation level.

Allocation of Transaction Price

The transaction price, once determined, is allocated between the various performance obligations in the contract based upon their relative standalone selling prices. The standalone selling prices are determined based on the prices at which the Company separately sells each good or service. For items that are not sold separately, the Company estimates the standalone selling prices using all information that is reasonably available, including reference to historical pricing data.

The following describes the nature of the Company's primary types of revenue:

Processing

Processing revenue is generated from transaction-based fees for electronic deposit and payment services, electronic funds transfers and debit and credit card processing. The Company's arrangements for these services typically require the Company to "stand ready" to provide specific services on a when and if needed basis by processing an unspecified number of transactions over the contractual term. The fees for these services may be fixed or variable (based upon performing an unspecified quantity of services), and pricing may include tiered pricing structures. Amounts of revenue allocated to these services are recognized as those services are performed. Customers are typically billed monthly for transactions processed during the month. The Company evaluates tiered pricing to determine if a material right exists. If, after that evaluation, it determines a material right does exist, it assigns value to the material right based upon standalone selling price after estimation of breakage associated with the material right.

Outsourcing and Cloud

Outsourcing and cloud revenue is generated from data and item processing services and hosting fees. The Company's arrangements for these services typically require the Company to "stand-ready" to provide specific services on a when and if needed basis. The fees for these services may be fixed or variable (based upon performing an unspecified quantity of services), and pricing may include tiered pricing structures. Amounts of revenue allocated to these services are recognized as those services are performed. Data and item processing services are typically billed monthly. The Company evaluates tiered pricing to determine if a material right exists. If, after that evaluation, it determines a material right does exist, it assigns value to the material right based upon standalone selling price.

Product Delivery and Services

Product delivery and services revenue is generated primarily from software licensing and related professional services and hardware delivery. Software licenses, along with any professional services from which they are not considered distinct, are recognized as they are delivered to the customer.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Concluded)

Hardware revenue is recognized upon delivery. Professional services that are distinct are recognized as the services are performed. Deconversion fees are also included within product delivery and services and are considered a contract modification. Therefore, the Company recognizes these fees over the remaining modified contract term.

In-House Support

In-house support revenue is generated from software maintenance for ongoing client support and software usage, which includes a license and ongoing client support. The Company's arrangements for these services typically require the Company to "stand ready" to provide specific services on a when and if needed basis. The fees for these services may be fixed or variable (based upon performing an unspecified quantity of services). MACO licenses, billed annually in advance, with the license delivered and recognized at the outset, and the maintenance fee recognized ratably over the maintenance term. Accordingly, the Company applies the practical expedient which allows entities to disregard the effects of a financing component when the contract period is one year or less.

Contract Acquisition Costs

The Company incurs incremental costs to obtain a contract as well as costs to fulfill contracts with customers that are expected to be recovered. These costs consist primarily of sales commissions, which are incurred only if a contract is obtained, and customer conversion or implementation related costs. Capitalized costs are amortized based on the transfer of goods or services to which the asset relates, in line with the percentage of revenue recognized for each performance obligation to which the costs are allocated. In general, sales commissions are amortized over the life of the contract while conversion costs are amortized over the expected conversion period of 6 months.

Embedded Software Reseller Fees

The Company has entered into a software licensing agreement with CU*Answers, a software development company, to resell the CU*Base software as a service. The Company pays CU*Answers a monthly royalty and licensing fee based on the volume of end users who are signed up to use the CU*Base software and related ancillary software programs. The Company has discretion in establishing its CU*Base licensing fees and the underlying terms and conditions with its customers and therefore reports embedded software reseller fees at gross amounts.

Computer Software Development

The Company capitalizes new product development costs incurred for software to be sold from the point at which technological feasibility has been established through the point at which the product is ready for general availability. Software development costs that are capitalized are evaluated on a product-by-product basis annually and are assigned an estimated economic life based on the type of product, market characteristics, and maturity of the market for that particular product.

These costs are amortized based on current and estimated future revenue from the product or on a straight-line basis, whichever yields greater amortization expense. All of this amortization expense is included within components of operating income, primarily cost of revenue.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

Computer Software Development (Concluded)

For internal use software, capitalization begins at the beginning of application development. Costs incurred prior to this are expensed as incurred. Significant estimates and assumptions include determining the appropriate amortization period based on the estimated useful life and assessing the unamortized cost balances for impairment. Amortization begins on the date the software is placed in service and the amortization period is based on estimated useful life.

A significant change in an estimate related to one or more software products could result in a material change to our results of operations.

Subsequent Events

Subsequent events are transactions or events that occur after the balance sheet date but before financial statements are issued. The Company recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial condition, including estimates inherent in the process of preparing the financial statements.

The Company's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the statement of financial condition date but arose afterwards and before the financial statements are available to be issued. The Company has evaluated subsequent events through April 5, 2024, the date of the financial statements were available to be issued.

NOTE 2 – TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable include amounts due from related-party credit union clients with Common Stock Class A Ownership and from credit union clients with no common stock ownership. The total amounts owing are as follows at December 31:

	2023	2022
Related-party trade accounts receivable	$ 350,314	$ 339,913
Trade accounts receivable	931,539	851,888
Allowance for credit losses	(50,658)	(50,658)
Total	$ 1,231,195	$ 1,141,143

Management believes all accounts receivable are fully collectible.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2023	2022
Furniture, fixtures, and equipment	$ 169,186	$ 146,708
Leasehold improvements	12,508	12,508
Computers and software	280,608	237,689
Total property and equipment	462,302	396,905
Accumulated depreciation	(312,476)	(244,985)
Property and equipment, net	$ 149,826	$ 151,920

Depreciation expense for the year ended December 31, 2023 and 2022, was $67,491 and $97,605.

NOTE 4 – EQUITY SECURITIES

Equity securities are non-marketable and consist of a $25,000 investment in Site-Four, LLC, a CUSO organized to provide third party data hosting services to credit unions. The investment is accounted for under the cost method.

The Company also maintains a master services agreement with Site-Four, LLC for co-location services, hosting, and maintenance.

NOTE 5 – REVOLVING CREDIT FACILITIES FROM RELATED PARTIES

The Company has a $100,000 revolving line of credit with Aneca Federal Credit Union, a related party as an owner, customer and holding a board member position, bearing interest at 7.99% per annum, with minimum monthly payments of interest only, secured by Uniform Commercial Code (UCC) filings on accounts receivable, property and equipment. The line of credit has a stated maturity date of January 28, 2023, with no outstanding balance as of December 31, 2023 and 2022.

The line of credit was not renewed after maturity on January 28, 2023.

In addition, during the period ended December 31, 2023 the Company obtained credit cards from Aneca Federal Credit Union for use by select employees in carrying out official Company business. The credit cards have a total combined credit limit of $188,500 and $176,000 at December 31, 2023 and 2022, and bear interest at 7.99% with minimum payments due monthly. All required minimum monthly payments are made by the Company. Total balances owing to Aneca FCU amounted to $34,953 and $53,844 as of December 31, 2023 and 2022.

NOTE 6 – LONG-TERM DEBT PAYABLE

The Company has a $2,500,000 noninterest bearing note payable to the former CEO and owner requiring minimum annual payments of $125,000 for the next six years. Based on its incremental borrowing rate of approximately 1.86% passed through from its credit union owners, management has imputed interest on the note payable in the amount of $14,456 and $19,974 for the year ended December 31, 2023 and 2022. The low incremental borrowing rate is applicable because of the Company's ready access to low-cost funding from its related party credit union stockholders. Future minimum payments on the note are as follows:

Year Ending December 31,	Amount
2024	$ 125,000
2025	125,000
2026	125,000
2027	125,000
2028	125,000
Thereafter	125,000
Total	$ 750,000

NOTE 7 – STOCKHOLDERS' EQUITY

Under the articles of incorporation and bylaws of the Company, you must be a natural person credit union customer purchasing data processing services in order to hold Class A stock. However, there is no requirement for a customer to be a stockholder; consequently some, but not all, customers are also stockholders. Stockholders' Equity consists of two classes of stock: 1) Class A voting and 2) Class A non-voting.

NOTE 7 – STOCKHOLDERS' EQUITY (Concluded)

The following table summarizes total Stockholders' Equity as of December 31:

	2023	2022
Class A Shares		
No Par Common Stock Class A - Voting, 500 shares authorized, 22 shares issued and outstanding in 2023 and 2022, respectively.	$ 970,000	$ 970,000
No Par Common Stock Class A - Non-voting, 4,500 shares authorized, 73 shares issued and outstanding in 2023 and 2022, respectively.	3,248,912	3,248,912
Total Class A Shares	$ 4,218,912	$ 4,218,912

NOTE 8 – CONCENTRATIONS

The Company maintains cash in one credit union. All accounts are insured up to $250,000. The Company had $1,783,203 and $1,646,996 in excess of the NCUA insurance limits at December 31, 2023 and 2022. The Company believes its counter-party credit risk is minimal based on the financial health of the depository institution.

NOTE 9 – RELATED PARTY TRANSACTIONS

The Company's related parties include its Class A Stockholders who are also credit union customers of the Company. Related parties also include Site-Four, LLC, which provides site-hosting and data replication services for the Company and is 25% owned by the Company.

In the normal course of business, the Company provides data hosting services to these related parties or obtains services from these related parties (as vendors) for the performance of outsourced services. At times, the Company will also record accounts receivable owing from its related-party customers or record accounts payable to its related party vendors.

The following table summarizes related party balances and transactions for the year ended December 31:

	2023	2022
Accounts receivable owing from related party stockholders	$ 350,314	$ 339,913
Accounts payable owing to related parties	$ 48,795	$ 45,049
Credit card payable to related party	$ 34,953	$ 53,844
Total sales earned from related party stockholders	$ 3,566,157	$ 3,277,779
Total expenses incurred to related party	$ 582,032	$ 535,166
Deposits held at Aneca FCU	$ 2,033,203	$ 1,896,994

The Company issued no shares and 4 shares of stock in the amount of $0 and $380,000 for the year ended December 31, 2023 and 2022. There were no redemptions of Class A Common Stock shares for the year ended December 31, 2023 and 2022, respectively.

NOTE 10 – INCOME TAXES AND DEFERRED INCOME TAXES

The deferred tax liability of $256,455 results from the use of accelerated methods of depreciation for property and equipment and due to the amortization of goodwill for tax purposes. Deferred tax assets totaling approximately $286,000 at December 31, 2023 related to a net operating loss carryforward of approximately $465,000 and to the unamortized portion of goodwill yet to be deducted for tax purposes. There were no deferred tax assets recorded as of December 31, 2022. There is no current income tax expense on the statement of income for the year ending December 31, 2023, while current tax expense totaled $6,757 for the year ending December 31, 2022. Deferred tax benefit totaled $37,968 for the year ending December 31, 2023, with a corresponding deferred tax expense of $37,440 for the year ending December 31, 2022.

Uncertain Tax Positions

Management has determined that the Company does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures.

Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Company's tax returns will not be challenged by the taxing authorities and that the Company or its shareholders will not be subject to additional tax, penalties, and interest as a result of such challenge. Generally, the Company's tax returns remain open for three years for federal income tax examination.

NOTE 11 – FINANCING LEASES

The Company's current financing lease, for its headquarters and processing facilities, extends until September 30, 2025. Terms of the agreement require monthly payments of $15,632.

Lease expense for the years ended December 31, 2023 and 2022 were $187,586 and $174,944.

The future minimum lease payments for the fiscal years ending December 31, are expected to be as follows:

	Financing Leases
2024	$ 187,586
2025	187,586
2026	193,212
2027	193,212
2028	144,909
Thereafter	-
Total undiscounted liabilities	906,505
Less: Imputed interest	64,935
Total lease liabilities	$ 841,570

NOTE 12 – COMMITMENTS AND CONTINGENCIES

In February 2021, a former client merged with another credit union ("Successor") and advised that CU*SOUTH Inc's services would no longer be needed. In response, CU*SOUTH, Inc. assessed and collected its contractual termination fee. During 2022, Successor initiated litigation to return a portion of the termination fee, deemed excessive by the plaintiff. Litigation continues between the former client and CU*SOUTH, Inc. as of December 31, 2023. As of the report date, legal counsel for CU*SOUTH, Inc. estimates the possibility of defending the litigation to be 66%, which is more likely than not expected to be a successful outcome. The plaintiff's claim is estimated at $182,000 as of December 31, 2023.