UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A
(Amendment No. 1)

CURRENT REPORT
Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): February 27, 2020

INTELLINETICS, INC.
(Exact name of Registrant as specified in its charter)

Nevada	000-31671	87-0613716
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S Employer Identification No.)

2190 Dividend Dr., Columbus, Ohio	43228
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code: (614) 388-8908

Intellinetics, Inc.
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the Registrant under any of the following provisions (see General Instruction A.2. below):

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
None	N/A

Securities registered pursuant to Section 12(g) of the Act: Common Stock, $0.001 par value

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company [ ]

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

EXPLANATORY NOTE

On March 4, 2020, Intellinetics, Inc., a Nevada corporation (the "Company" or "Intellinetics"), filed a Current Report on Form 8-K (the "Initial Form 8-K") to disclose the acquisition by the Company of all of the capital stock of Graphic Sciences, Inc., a Michigan corporation ("GSI"). The information previously disclosed and reported in the Initial Form 8-K is hereby incorporated by reference into this Current Report on Form 8-K/A (Amendment No. 1). Intellinetics is filing this Current Report on Form 8-K/A (Amendment No. 1) solely for the purpose of amending Item 9.01 of the Initial Form 8-K to file the financial information required by Items 9.01(a) and 9.01(b), as permitted by Items 9.01(a)(4) and 9.01(b)(2) of Form 8-K. No other changes have been made to the Initial Form 8-K.

Item 2.01 Completion of Acquisition or Disposition of Assets.

On March 2, 2020, the Company acquired all of the capital stock of GSI, as reported and disclosed in the Initial Form 8-K. See the "Explanatory Note" above.

Item 9.01 Financial Statements and Exhibits

(a) Financial Statements of Business Acquired.

The audited financial statements of GSI as of September 30, 2019 and 2018, and for the years then ended, and the report of GBQ Partners LLC, independent auditor, thereon, are filed herewith as Exhibit 99.1 and incorporated herein by reference.

The unaudited financial statements of GSI as of December 31, 2019, and for the three-month periods ended December 31, 2019 and 2018 and the unaudited notes related thereto, are filed herewith as Exhibit 99.2 and incorporated herein by reference.

(b) Pro Forma Financial Information.

The unaudited pro forma condensed combined financial statements of Intellinetics, reflecting the acquisition of GSI as of December 31, 2019, and for the one year period then ended, are filed herewith as Exhibit 99.3 and incorporated herein by reference. Such unaudited pro forma condensed combined financial statements are not necessarily indicative of the operating results or financial position that actually would have been achieved if the acquisition had been in effect on the dates indicated or that may be achieved in future periods, and should be read in conjunction with the financial statements of Intellinetics and GSI.

(d) Exhibits

Exhibit No.	Name of Exhibit
2.1	Stock Purchase Agreement, dated as of March 2, 2020, by and among Intellinetics, Inc., Graphic Sciences, Inc., and Thomas M. Liebold, Gregory P. Colton, Fredrick M. Kamienny, and Frederick L. Erlich (Filed with the Initial Form 8-K.)
99.1	The audited financial statements of Graphic Sciences, Inc. as of September 30, 2019 and 2018, and for each of the one-year periods then ended and the notes related thereto. (Filed herewith.)
99.2	The unaudited financial statements of Graphic Sciences, Inc. as of December 31, 2019, and for the three-month periods then ended (Filed herewith.)
99.3	The unaudited pro forma condensed combined financial statements of Intellinetics, Inc., reflecting the acquisition of Graphic Sciences, Inc. as if it occurred on December 31, 2019 and during the one year period then ended. (Filed herewith.)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

INTELLINETICS, INC.

By: */s/ Joseph D. Spain*
Joseph D. Spain
Treasurer and Chief Financial Officer

Dated: May 12, 2020

Exhibit 99.1

Financial Statements
Graphic Sciences, Inc.
September 30, 2019 and 2018

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To the Board of Directors and Shareholders
Graphic Sciences, Inc.
Madison Heights, Michigan

Independent Auditor's Report

We have audited the accompanying financial statements of Graphic Sciences, Inc., which comprise the balance sheets as of September 30, 2019 and 2018, and the related statements of operations and accumulated earnings (deficit) and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Graphic Sciences, Inc. as of September 30, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Columbus, Ohio
May 11, 2020

GRAPHIC SCIENCES, INC.
Balance Sheets
September 30, 2019 and 2018

	2019	2018
ASSETS		
Current Assets		
Cash	$ 63,122	$ 110,708
Accounts receivable	747,773	684,985
Accounts receivable - unbilled	244,830	155,381
Other receivable	50,898	-
Employee advances	11,238	8,114
Parts and supplies, net	95,104	134,108
Prepaid expenses	103,677	141,056
Total current assets	1,316,642	1,234,352
Property and Equipment, at cost		
Leasehold improvements	66,038	38,833
Office equipment	641,966	624,282
Production equipment	1,514,864	1,467,972
	2,222,868	2,131,087
Accumulated depreciation	(1,450,105)	(1,325,490)
Total property and equipment	772,763	805,597
Other Assets	16,779	33,479
TOTAL ASSETS	$ 2,106,184	$ 2,073,428

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

GRAPHIC SCIENCES, INC.
Balance Sheets (continued)
September 30, 2019 and 2018

	2019	2018
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Line of credit	$ -	$ 545,615
Current portion of capital lease obligations	68,532	83,494
Accounts payable	83,036	150,071
Accrued compensation	221,088	137,710
Other accrued expenses	101,028	115,346
Accrued interest - shareholders	290,595	357,435
Deferred revenue	66,306	138,494
Total current liabilities	830,585	1,528,165
Noncurrent Liabilities		
Deferred income taxes	157,600	-
Capital lease obligations, net of current portion	211,212	280,365
Notes payable - shareholders	556,401	556,401
Total liabilities	1,755,798	2,364,931
Shareholders' Equity		
Common stock	1,000	1,000
Additional paid-in capital	24,000	24,000
Accumulated earnings (deficit)	325,386	(316,503)
Total shareholders' equity (deficit)	350,386	(291,503)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 2,106,184	$ 2,073,428

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

GRAPHIC SCIENCES, INC.
Statements of Operations and Accumulated Earnings (Deficit)
For the Years Ended September 30, 2019 and 2018

	2019	2018
Sales	$ 6,710,309	$ 5,356,430
Cost of Sales	3,394,040	3,477,929
Gross profit	3,316,269	1,878,501
Selling, General and Administrative Expenses	2,273,511	1,781,266
Operating income	1,042,758	97,235
Other Expense, net	(186,604)	(141,627)
Income (Loss) Before Income Taxes	856,154	(44,392)
Income Taxes Provision (Benefit)	214,265	(1,300)
Net Income (Loss)	641,889	(43,092)
Accumulated Deficit - Beginning of Year	(316,503)	(273,411)
Accumulated Earnings (Deficit) - End of Year	$ 325,386	$ (316,503)

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

GRAPHIC SCIENCES, INC.
Statements of Cash Flows
For the Years Ended September 30, 2019 and 2018

	2019	2018
Cash Flow from Operating Activities		
Net income (loss)	$ 641,889	$ (43,092)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	124,615	97,227
Gain on sale of property and equipment	-	(5,593)
Deferred income taxes	157,600	(1,300)
Changes in operating assets and liabilities:		
Accounts receivable	(62,788)	(111,718)
Accounts receivable - unbilled	(89,449)	72,692
Other receivable	(50,898)	-
Employee advances	(3,124)	6,444
Inventories	39,004	19,225
Prepaid expenses	37,379	3,939
Other assets	16,700	(12,279)
Accounts payable	(67,035)	(42,773)
Accrued compensation	83,378	(22,062)
Other accrued expenses	(14,318)	(11,376)
Accrued interest - shareholders	(66,840)	58,000
Deferred revenue	(72,188)	(25,285)
Total adjustments	32,036	25,141
Net cash flow provided by (used in) operating activities	673,925	(17,951)
Cash Flow from Investing Activities		
Acquisition of property and equipment	(91,781)	(25,676)
Proceeds from sale of property and equipment	-	12,645
Net cash used in investing activities	(91,781)	(13,031)
Cash Flow from Financing Activities		
Net (repayments) borrowings on line of credit	(545,615)	109,972
Payments on notes payable - shareholders	(15,707)	(28,564)
Payments on capital lease obligations	(68,408)	(24,957)
Net cash (used in) provided by financing activities	(629,730)	56,451
Net (decrease) increase in cash	(47,586)	25,469
Cash - Beginning of Year	110,708	85,239
Cash - End of Year	$ 63,122	$ 110,708
Noncash Investing and Financing Activity		
Equipment acquired under capital lease obligation	$ -	$ 338,200
Supplemental Financial Information		
Interest paid	$ 226,077	$ 89,606
Taxes paid	$ 7,000	-

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

Nature and Scope of Business

Graphic Sciences, Inc. (the Company), with locations in Madison Heights, Oak Park, and Traverse City, Michigan, is a closely held Michigan corporation whose principal business activities consist of providing document imaging services and the sale and service of related document imaging equipment and software to customers located principally in Michigan, Ohio, and Indiana.

Summary of Significant Accounting Policies

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 certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Accounts Receivable and Credit Policies

Accounts receivable are uncollateralized customer obligations due under normal trade terms, and are stated at the amount the Company expects to collect from outstanding balances. There are no interest charges on unpaid balances.

The Company's invoicing is done based on agreed-upon contractual terms, either at periodic intervals or upon achievement of contractual milestones. Accounts receivable unbilled represent services performed but not billed as of the reporting date.

Management estimates an allowance for doubtful accounts based on specifically identified amounts that are believed to be uncollectible and an additional allowance based on certain percentages of the aged receivables, which are determined based on historical experience and a current assessment of the general financial conditions affecting the customer base. At September 30, 2019 and 2018, management believes all accounts to be collectible and therefore no allowance for doubtful accounts has been recorded.

Inventory – Parts and Supplies

Inventories are valued at the lower of cost or net realizable value. Costs are determined using the first-in, first-out method. Inventory consistent of parts and supplies used for scanning services. A provision for potentially obsolete or slow-moving inventory to is made based on inventory levels, future sales forecasted and management's judgment of potentially obsolete inventory. The Company recorded an allowance of $30,000 and $12,000 at September 30, 2019 and 2018, respectively.

Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are carried at cost. Depreciation is calculated using the straight-line and declining balance methods over the estimated useful lives of the assets. Maintenance and repairs, which do not improve or extend the estimated useful lives of the respective assets, are expensed as incurred. Major improvements or betterments are capitalized. Assets purchased, but not placed in service, are capitalized and depreciation is not computed until the asset is placed in service. When property or equipment is sold or retired, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is included in income. Estimated useful lives by major asset class are as follows:

Leasehold improvements	3 - 10 years
Office equipment	3 - 10 years
Production Equipment	3 - 10 years

Depreciation expense of property and equipment was approximately $124,600 and $97,200 for the years ended September 30, 2019 and 2018, respectively.

Revenue Recognition

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the selling price is fixed or determinable, and collectability of the selling price is reasonably assured. Service contract payments received in advance are recorded as deferred revenue and are recognized over the term of the associated contract.

Shipping and Handling Costs

Shipping and handling costs are charged to cost of sales in the statements of operations and accumulated earnings (deficit).

Rent Expense

Rental expense for leases that contain a predetermined fixed escalation of the minimum rent is recognized on a straight-line basis over the term of the lease. The difference between the recognized rental expense and the amounts payable under the lease is recorded as prepaid or deferred rent on the accompanying balance sheets.

Summary of Significant Accounting Policies (continued**)**

Income Taxes

The Company accounts for income taxes in accordance with U.S. GAAP. The accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues.

The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

Tax positions are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term "more likely than not" means a likelihood of more than 50%; the terms "examined" and "upon examination" also include resolution of the related appeals or litigation processes, if any. A tax position that meets the "more likely than not" recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the "more likely than not" recognition threshold considers the facts, circumstances and information available at the reporting date and is subject to management's judgment.

New Accounting Pronouncement

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers.* ASU 2014-09 clarifies the accounting principles for recognizing contract revenue between a vendor and a customer for the provision of goods and services. The update is effective for the Company for annual periods beginning after December 15, 2018. Management is in the process of determining the effect of this change on its accounting and financial statement disclosures.

In February 2016, FASB issued ASU 2016-02, *Leases*, a new standard for both lessees and lessors. Under its core principle, a lessee will recognize lease assets and liabilities on the balance sheet for nearly all lease arrangements. The new standard is effective for annual periods beginning after December 15, 2020. The Company has not yet determined the effect of the pronouncement on the financial statements.

Cash

The Company maintains cash at financial institutions which may exceed federally insured amounts at various times.

Line of Credit

The Company has a Security Agreement (LSA) with a third party that provides credit facilities for 1) a revolving line of credit and 2) a convertible line of credit.

A description of each line is as follows:

- *Revolving Line of Credit* - The line provides for $800,000 of formula based borrowings that bear interest at the current prime rate plus 3% (effective annual rate of 8% at September 30, 2019). Any outstanding borrowings are due on demand and the line expires March 31, 2021.

- *Convertible Line of Credit* - The line provides for maximum borrowings of $100,000 to provide financing for new racking and $85,000 for property and equipment. Any borrowings immediately reduce the available revolving line of credit and convert to term loans, which will amortize over a period of 36 months and will bear interest at the current prime rate plus 3%. Draws on this line can be made through March 31, 2021. There were no outstanding borrowings on this line of credit at September 30, 2019 and 2018.

Under the LSA, the credit facilities are collateralized by all Company assets and are guaranteed by certain shareholders. The LSA requires that the Company shall not incur additional principal indebtedness with another lender. The LSA also requires a monthly loan processing fee of 0.25% of the average monthly loan balance outstanding and a 0.15% underutilization fee.

Capital Lease Obligations

The Company leases certain equipment under a capital lease obligation that matures in 2023.

Future minimum payments due under the capital lease obligation and the present value of the future minimum lease payments as of September 30, 2019 are as follows:

		2019
2020	$	86,399
2021		80,130
2022		80,130
2023		73,452
Total minimum lease payments		320,111
Less: amount representing interest (at 7% per annum)		(40,367)
Present value of net minimum lease payments		279,744
Less: current maturities of capital lease obligations		(68,532)
Long-term capital lease obligations	$	211,212

Notes Payable - Shareholders

The Company has promissory notes payable to its shareholders that are due on demand with interest payable monthly at an annual rate of 12.25%. These notes are subordinated to the Company's external financing. Interest expense on these notes totaled approximately $68,000 for each the years ended September 30, 2019 and 2018. Accrued interest on these notes payable totaled approximately $291,000 and $357,000 at September 30, 2019 and 2018, respectively, and was included in accrued interest related party on the accompanying balance sheet. The debt is classified as long-term in the accompanying balance sheet.

Income Taxes

The tax effect of temporary differences related to the deferred taxes shown on the balance sheets are as follows at September 30:

	2019	2018
Deferred tax assets:		
Accrued rent	**$ 11,200**	$ 5,900
Net operating loss carryforward	**2,600**	120,100
Section 179 depreciation carryforward	**-**	73,300
Total deferred tax assets	**13,800**	199,300
Deferred tax liability:		
Excess of tax over financial reporting depreciation	**(171,400)**	(178,100)
Net deferred tax (liabilities) assets	**$ (157,600)**	$ 21,200

Deferred tax assets are shown in other noncurrent assets on accompanying balance sheets.

Income tax expense differs from the amount expected by applying statutory rates to net income (loss) before taxes principally due to non-deductible expenses and the rates at which the deferred tax assets and liabilities are realized or expected to be realized.

Commitments

Operating Leases

The Company leases its operating facilities under three long-term operating leases expiring through August 2026, and transportation equipment under long-term operating lease agreements that expire through October 2022. The Company also periodically leases other office and storage space on a month-to-month basis.

Commitments (continued)

Operating Leases (continued)

The Company is responsible for maintenance, taxes and other expenses associated with the leased property. Minimum annual rentals are as follows:

2020	$	731,000
2021		719,000
2022		594,000
2023		595,000
2024		565,000
Thereafter		1,047,000
Total	$	4,251,000

Total lease expense amounted to approximately $736,000 and $556,000 for the years ended September 30, 2019 and 2018, respectively.

Included in other accrued expenses, at September 30, 2018, is approximately $80,000, due to a related entity for payments due on an expired lease.

Retirement Plans

The Company has a 401(k) retirement plan covering all eligible employees. The Company may make discretionary matching or profit sharing contributions to the plan. The Company made no contributions to the plan for the years ended September 30, 2019 or 2018.

Concentration of Credit Risk

A limited number of the Company's customers have individually large amounts due at any given balance sheet date. Any unanticipated change in one of those customers' credit worthiness or other matters affecting the collectability of amounts due from such customers could have a materially adverse effect on the financial position, results of operations, and cash flows in the period in which such changes or events occur. The Company had one customer that accounted for approximately 73% and 63% of sales during the year ended September 30, 2019 and 2018, respectively. At September 30, 2019 and 2018, the Company had one customer who accounted for approximately 77% and 72% of accounts receivable.

Subsequent Events

In March 2020, the World Health Organization declared the global novel coronavirus disease (COVID-19) outbreak a pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen that are likely to negatively impact the results of operations. However, the Company cannot reasonably estimate at this time the specific extent, duration or full impact that the COVID-19 pandemic will have on its financial condition and operations.

On March 2, 2020, 100% of the Company's capital stock was sold for a purchase price of approximately $3,500,000 subject to a post-closing net working capital adjustment. In addition to the initial purchase price, three annual potential earn out payments of up to an aggregate of $2,500,000 will be receivable to the sellers over three years if certain gross profit levels are achieved.

Management has evaluated subsequent events through the date of the Independent Auditor's Report, the date on which the financial statements were available to be issued.

Exhibit 99.2

Financial Statements (Unaudited)
Graphic Sciences, Inc.
December 31, 2019 and 2018

GRAPHIC SCIENCES, INC.
Balance Sheets
December 31, 2019 and September 30, 2019

	December 31, 2019 (Unaudited)	September 30, 2019
ASSETS		
Current Assets		
Cash	$ 170,274	$ 63,122
Accounts receivable	892,371	747,773
Accounts receivable - unbilled	286,625	244,830
Other receivable	165,195	50,898
Employee advances	11,130	11,238
Parts and supplies - net	100,948	95,104
Prepaid expenses	110,654	103,677
Total current assets	1,737,197	1,316,642
Property and Equipment, at cost		
Leasehold improvements	66,038	66,038
Office equipment	653,889	641,966
Production equipment	1,514,864	1,514,864
	2,234,791	2,222,868
Less: accumulated depreciation	1,481,537	(1,450,105)
Total property and equipment	753,254	772,763
Other Assets	19,959	16,779
TOTAL ASSETS	$ 2,510,410	$ 2,106,184
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Line of credit	$ -	$ -
Accounts payable	63,827	83,036
Accrued compensation, withholdings and taxes	183,568	221,088
Other accrued expenses	517,517	101,028
Customer deposits	16,945	-
Deferred service contract revenue	44,480	66,306
Current portion of capital lease obligations	64,314	68,532
Current portion of notes payable	-	290,595
Total current liabilities	890,651	830,585
Noncurrent Liabilities		
Deferred income taxes	167,300	157,600
Capital lease obligations	194,718	211,212
Notes payable - shareholders	556,401	556,401
Total liabilities	1,809,070	1,755,798
Shareholders' Equity		
Common stock	1,000	1,000
Additional paid-in capital	24,000	24,000
Retained earnings (deficit)	676,340	325,386
Total shareholders' equity	701,340	350,386
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 2,510,410	$ 2,106,184

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

GRAPHIC SCIENCES, INC.
Statement of Operations and Accumulated Earnings (Deficit)
Three Months Ended December 31, 2019 and 2018
(Unaudited)

	2019	2018
Sales	$ 1,837,610	$ 1,287,383
Cost of Sales	1,021,316	944,601
Gross profit	816,294	342,782
Selling, General and Administrative Expenses	322,610	268,256
Operating income	493,684	74,526
Other Expense, net	(26,295)	(44,676)
Income (Loss) Before Income Taxes	467,389	29,850
Income Taxes	116,435	7,500
Net Income (Loss)	350,954	22,350
Accumulated Deficit - Beginning of Year	325,386	(316,503)
Accumulated Earnings (Deficit) - End of Year	$ 676,340	$ (294,153)

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

GRAPHIC SCIENCES, INC.
Statement of Cash Flows
Three Months Ended December 31, 2019 and 2018
(Unaudited)

	2019	2018
Cash Flow Provided From Operating Activities		
Net income (loss)	$ 350,954	$ 22,350
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	31,432	38,550
Gain on sale of property and equipment	-	-
Deferred income taxes	11,020	17,900
Changes in operating assets and liabilities:		
Accounts receivable	(144,598)	(172,475)
Accounts receivable, unbilled	(41,795)	(68,149)
Other receivable	(114,297)	-
Employee advances	108	(1,247)
Inventories	(5,844)	3,544
Prepaid expenses	(6,977)	16,807
Deposits	(4,500)	(4,500)
Accounts payable	(19,209)	(408)
Accrued compensation and related withholdings and taxes	(37,520)	-
Other accrued expenses	126,839	10,322
Customer deposits	16,000	(11,282)
Deferred service contract revenue	(21,826)	(21,274)
Total adjustments	(211,167)	(192,212)
Net cash flow provided by (used in) operations	139,787	(169,862)
Cash Flow Used in Investing Activities		
Acquisition of property and equipment	(11,923)	(8,511)
Proceeds from sale of property and equipment	-	-
Net cash used in investing activities	(11,923)	(8,511)
Cash Flow Provided From (Used In) Financing Activities		
Borrowings (repayments) on line of credit - net	-	94,065
Payments on notes payable	(15,707)	(5,933)
Payments on capital lease obligations	(5,005)	-
Net cash (used in) provided by financing activities	(20,712)	88,132
Increase in cash	107,152	(90,241)
Cash - Beginning of Year	63,122	110,708
Cash - End of Year	$ 170,274	$ 20,467
Supplemental Financial Information		
Interest paid	$ 71,432	$ 28,056

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

Nature and Scope of Business

Graphic Sciences, Inc. (the Company), with locations in Madison Heights, Oak Park, and Traverse City, Michigan, is a closely held Michigan corporation whose principal business activities consist of providing document imaging services and the sale and service of related document imaging equipment and software to customers located principally in Michigan, Ohio, and Indiana.

Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Accounts Receivable and Credit Policies

Accounts receivable are uncollateralized customer obligations due under normal trade terms, and are stated at the amount the Company expects to collect from outstanding balances. There are no interest charges on unpaid balances.

The Company's invoicing is done based on agreed-upon contractual terms, either at periodic intervals or upon achievement of contractual milestones. Accounts receivable unbilled represent services performed but not billed as of the reporting date.

Management estimates an allowance for doubtful accounts based on specifically identified amounts that are believed to be uncollectible and an additional allowance based on certain percentages of the aged receivables, which are determined based on historical experience and a current assessment of the general financial conditions affecting the customer base. At December 31, 2019 and September 30, 2019, management believes all accounts to be collectible and therefore no allowance for doubtful accounts has been recorded.

Inventory – Parts and Supplies

Inventories are valued at the lower of cost or net realizable value. Costs are determined using the first-in, first-out method. Inventory consistent of parts and supplies used for scanning services. A provision for potentially obsolete or slow-moving inventory to is made based on inventory levels, future sales forecasted and management's judgment of potentially obsolete inventory. The Company recorded an allowance of $34,500 and $30,000 at December 31, 2019 and September 30, 2019, respectively.

Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are carried at cost. Depreciation is calculated using the straight-line and declining balance methods over the estimated useful lives of the assets. Maintenance and repairs, which do not improve or extend the estimated useful lives of the respective assets, are expensed as incurred. Major improvements or betterments are capitalized. Assets purchased, but not placed in service, are capitalized and depreciation is not computed until the asset is placed in service. When property or equipment is sold or retired, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is included in income. Estimated useful lives by major asset class are as follows:

Leasehold improvements	3 - 10 years
Office equipment	3 - 10 years
Production Equipment	3 - 10 years

Depreciation expense was approximately $31,432 and $38,550 for the three month periods ended December 31, 2019 and 2018, respectively.

Revenue Recognition

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the selling price is fixed or determinable, and collectability of the selling price is reasonably assured. Service contract payments received in advance are recorded as deferred revenue and are recognized over the term of the associated contract.

Shipping and Handling Costs

Shipping and handling costs are charged to cost of sales in the statements of operations and accumulated earnings (deficit).

Rent Expense

Rental expense for leases that contain a predetermined fixed escalation of the minimum rent is recognized on a straight-line basis over the term of the lease. The difference between the recognized rental expense and the amounts payable under the lease is recorded as a component of other accrued expenses within the accompanying balance sheets.

Summary of Significant Accounting Policies (continued)

Income Taxes

The Company accounts for income taxes in accordance with U.S. GAAP. The accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues.

The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

Tax positions are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term “more likely than not” means a likelihood of more than 50%; the terms “examined” and “upon examination” also include resolution of the related appeals or litigation processes, if any. A tax position that meets the “more likely than not” recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the “more likely than not” recognition threshold considers the facts, circumstances and information available at the reporting date and is subject to management’s judgment.

New Accounting Pronouncement

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 clarifies the accounting principles for recognizing contract revenue between a vendor and a customer for the provision of goods and services. The update is effective for the Company for annual periods beginning after December 15, 2018. Management is in the process of determining the effect of this change on its accounting and financial statement disclosures.

In February 2016, FASB issued ASU 2016-02, *Leases*, a new standard for both lessees and lessors. Under its core principle, a lessee will recognize lease assets and liabilities on the balance sheet for nearly all lease arrangements. The new standard is effective for annual periods beginning after December 15, 2020. The Company has not yet determined the effect of the pronouncement on the financial statements.

Cash

The Company maintains cash at financial institutions which may exceed federally insured amounts at various times.

Line of Credit

The Company has a Security Agreement (LSA) with a third party that provides credit facilities for 1) a revolving line of credit and 2) a convertible line of credit.

A description of each line is as follows:

- *Revolving Line of Credit* - The line provides for $800,000 of formula based borrowings that bear interest at the current prime rate plus 3% (effective annual rate of 8% at September 30, 2019). Any outstanding borrowings are due on demand and the line expires March 31, 2021.

- *Convertible Line of Credit* - The line provides for maximum borrowings of $100,000 to provide financing for new racking and $85,000 for property and equipment. Any borrowings immediately reduce the available revolving line of credit and convert to term loans, which will amortize over a period of 36 months and will bear interest at the current prime rate plus 3%. Draws on this line can be made through March 31, 2021. There were no outstanding borrowings on this line of credit at September 30, 2019 and 2018.

Under the LSA, the credit facilities are collateralized by all Company assets and are guaranteed by certain shareholders. The LSA requires that the Company shall not incur additional principal indebtedness with another lender. The LSA also requires a monthly loan processing fee of 0.25% of the average monthly loan balance outstanding and a 0.15% underutilization fee.

Capital Lease Obligations

The Company leases certain equipment under a capital lease obligation that matures in 2023.

Future minimum payments due under the capital lease obligation and the present value of the future minimum lease payments as of December 31, 2019 are as follows:

	2020	$	**80,130**
	2021		**80,130**
	2022		**80,130**
	2023		**53,420**
Total minimum lease payments			**293,810**
Less: amount representing interest (at 7% per annum)			**(34,778)**
Present value of net minimum lease payments			**259,032**
Less: current maturities of capital lease obligations			**(64,314)**
Long-term capital lease obligations		**$**	**194,718**

Notes Payable - Shareholders

The Company has promissory notes payable to its shareholders that are due on demand with interest payable monthly at an annual rate of 12.25%. These notes are subordinated to the Company's external financing. Interest expense on these notes totaled approximately $17,000 for each the years ended December 31, 2019 and 2018. Accrued interest on these notes payable totaled approximately $248,000 and $370,000 at December 31, 2019 and 2018, respectively, and was included in accrued interest – shareholders on the accompanying balance sheet. The debt is classified as long-term as in the accompanying balance sheet.

Income Taxes

The tax effect of temporary differences related to the deferred taxes shown on the balance sheet (deferred tax assets are shown in other noncurrent assets on accompanying balance sheet) are as follows at December 31:

		2019		2018
Deferred tax assets				
Expenses not currently deductible for tax purposes	**$**	**12,300**	$	5,900
Net operating loss carryforward		**-**		120,100
Section 179 depreciation carryforward		**-**		65,800
		12,300		191,800
Deferred tax liability				
Excess of tax over financial reporting depreciation		**(179,600)**		(191,800)
Net deferred tax (liabilities) assets	**$**	**(167,300)**	$	-

Income tax expense differs from the amount expected by applying statutory rates to net income (loss) before taxes principally due to accrued rent and the rates at which the deferred tax assets and liabilities are realized or expected to be realized.

Commitments

Operating Leases

The Company leases its operating facilities under three long-term operating leases expiring through August 2026, and transportation equipment under long-term operating lease agreements that expire through October 2022. The Company also periodically leases other office and storage space on a month-to-month basis.

Commitments (continued)

Operating Leases (continued)

The Company is responsible for maintenance, taxes and other expenses associated with the leased property. Minimum annual rentals are as follows:

2020	$	704,000
2021		719,000
2022		595,000
2023		594,000
2024		551,000
Thereafter		908,000
Total	$	4,071,000

Total lease expense amounted to approximately $185,000 and $164,000 for the three months ended December 31, 2019 and 2018, respectively.

Retirement Plans

The Company has a 401(k) retirement plan covering all eligible employees. The Company may make discretionary matching or profit sharing contributions to the plan. The Company made no contributions to the plan for the three months ended December 31, 2019 or 2018.

Concentration of Credit Risk

A limited number of the Company's customers have individually large amounts due at any given balance sheet date. Any unanticipated change in one of those customers' credit worthiness or other matters affecting the collectability of amounts due from such customers could have a materially adverse effect on the financial position, results of operations, and cash flows in the period in which such changes or events occur. The Company had one customer that accounted for approximately 77% and 65% of sales during the year ended December 31, 2019 and 2018, respectively. At December 31, 2019 and 2018, the Company had one customer who accounted for approximately 78% and 67% of accounts receivable.

Subsequent Events

In March 2020, the World Health Organization declared the global novel coronavirus disease (COVID-19) outbreak a pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen that are likely to negatively impact the results of operations. However, the Company cannot reasonably estimate at this time the specific extent, duration or full impact that the COVID-19 pandemic will have on its financial condition and operations.

Subsequent Events (continued)

On March 2, 2020, 100% of the Company's capital stock was sold for a purchase price of approximately $3,500,000 subject to a post-closing net working capital adjustment. In addition to the initial purchase price, three annual potential earn out payments of up to an aggregate of $2,500,000 will be receivable to the sellers over three years if certain gross profit levels are achieved.

Management has evaluated subsequent events through the date of the Independent Auditor's Report, the date on which the financial statements were available to be issued.

Exhibit 99.3

Unaudited Pro Forma Condensed Combined Financial Statements

On March 2, 2020, Intellinetics, Inc. ("Intellinetics" or the "Company") acquired all of the issued and outstanding capital stock of Graphic Sciences, Inc. ("GSI"). The consideration paid by the Company to the stockholders of GSI consisted of approximately $3.5 million in cash plus three annual potential earnout payments of up to an aggregate of $2.5 million, for a total potential purchase price of approximately $6 million.

The following unaudited pro forma condensed combined financial statements are presented for informational purposes only and should be read in conjunction with the:

- Accompanying Notes to the Unaudited Pro Forma Condensed Combined Financial Statements;
- Separate historical financial statements of Intellinetics included in its Annual Report on Form 10-K for the year ended December 31, 2019; and
- Separate historical financial statements of GSI for the years ended September 30, 2019 and 2018, which are included in Exhibit 99.1 to this Current Report on Form 8-K/A.
- Separate historical financial statements of GSI for the quarter ended December 31, 2019 and 2018, which are included in Exhibit 99.2 to this Current Report on Form 8-K/A.

The following unaudited pro forma condensed combined balance sheet presents Intellinetics' historical financial position combined with GSI as if the acquisition had occurred on December 31, 2019 and includes adjustments which give effect to events that are directly attributable to the transaction and that are factually supportable. The unaudited pro forma condensed combined statement of income presents the combined results of Intellinetics' operations with GSI as if the acquisition had occurred on January 1, 2019 and includes adjustments that are directly attributable to the acquisition, are expected to have a continuing impact on the combined results, and are factually supportable. The pro forma condensed combined financial statements are not necessarily indicative of what Intellinetics' financial position or results of operations actually would have been had the Company completed the acquisition at the dates indicated. In addition, the unaudited pro forma condensed combined financial information does not purport to project the future financial position or operating results of the combined company.

Intellinetics and GSI have different fiscal years. The unaudited pro forma condensed combined balance sheet and statements of income have been prepared utilizing period ends that differ by less than 93 days, as permitted by Regulation S-X. The pro forma statement of income information is based on the following:

- With respect to Intellinetics, the audited consolidated financial statements of Intellinetics contained in its Annual Report on Form 10-K for the year ended December 31, 2019; and
- With respect to GSI, the audited financial statements of GSI for the year ended September 30, 2019.

The pro forma balance sheet information is based on the following:

- With respect to Intellinetics, the Intellinetics audited consolidated balance sheet as of December 31, 2019; and
- With respect to GSI, the GSI unaudited balance sheet as of December 31, 2019.

The Company has not completed a full, detailed valuation analysis necessary to determine the fair values of GSI's identifiable assets acquired and liabilities assumed in the acquisition. However, a preliminary valuation analysis based upon assumptions used by management was performed as of December 31, 2019, the date of which the acquisition is deemed to have occurred for purposes of the pro forma balance sheet, related to its assets and liabilities, including intangible assets. The acquisition of GSI created goodwill as the acquisition consideration exceeded the fair value attributable to identifiable assets and liabilities. The unaudited pro forma combined balance sheet includes only preliminary estimates assuming the acquisition had occurred on December 31, 2019. The final valuation of amounts of assets acquired and liabilities assumed in the acquisition accounting will be based on their respective fair values as determined as of March 2, 2020, the date of acquisition, and may differ significantly from these preliminary estimates.

The pro forma financial statements do not include integration costs expected to result from the acquisition or the realization of any cost synergies or revenue synergies expected to result from the acquisition. The effects of the foregoing excluded items could, individually or in the aggregate, materially impact the pro forma financial statements.

The assumptions and estimates underlying the unaudited adjustments to the pro forma condensed combined financial statements are described in the accompanying notes, which should be read together with the pro forma condensed combined financial statements.

The unaudited pro forma condensed combined financial statements should be read together with the Company's historical financial statements, which are included in the Company's latest annual report on Form 10-K and GSI's historical information included herein

INTELLINETICS, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
DECEMBER 31, 2019

	Intellinetics	Graphic Sciences	Pro Forma Adjustments		Combined
ASSETS					
Current assets:					
Cash	$ 404,165	$ 170,274	$ 377,418	a	$ 951,857
Accounts receivable, net	329,571	1,057,566	14,204	b	1,401,341
Accounts receivable – unbilled	23,371	286,625	(10,602)	b	299,394
Parts and supplies – net		100,948	(9,552)	b	91,396
Prepaid expenses and other current assets	115,025	121,784	(42,714)	b	194,095
Total current assets	$ 872,132	$ 1,737,197	$ 328,754		$ 2,938,083
Property and equipment, net	6,919	753,254	(20,882)	b	739,291
Right of use asset	97,239	-	2,885,619	d	2,982,858
Other assets	10,284	19,959	(19,959)	b	10,284
Intangible assets, net			1,230,000	e	
Goodwill			1,780,178	e	
Total assets	$ 986,574	$ 2,510,410	$ 6,183,710		$ 9,680,694
LIABILITIES AND STOCKHOLDERS' DEFICIT					
Current liabilities:					
Accounts payable	$ 160,911	$ 63,827	$ 45,797	b	$ 270,535
Accrued Expenses	210,106	718,030	32,885	b	961,021
Lease liability - current	47,397	59,002	529,519	d	635,918
Deferred revenues	754,073	44,480	(5,294)	b	793,259
Deferred compensation	117,166		-		117,166
Accrued interest payable	1,212,498		-		1,212,498
Notes payable, net	3,339,963	5,312	(5,312)	c	3,339,963
Notes payable - related party, net	1,467,400		0		1,467,400
Total current liabilities	$ 7,309,514	$ 890,651	$ 597,595		$ 8,797,760
Long-term liabilities:					
Notes payable	$ -	$ 556,401	$ (556,401)	c	$ -
Subordinated notes			1,386,318	f	
Lease liability - net of current portion	53,318	194,718	2,102,380	d	$ 2,350,416
Contingent Consideration			686,200	h	
Deferred tax liability		167,300	(167,300)	i	-
Total long-term liabilities	$ 53,318	$ 918,419	$ 3,451,197		$ 4,422,934
Total liabilities	$ 7,362,832	$ 1,809,070	$ 4,048,792		$ 13,220,694
Stockholders' Equity (Deficit):					
Common Stock	$ 31,528	$ 1,000	$ (31,023)	j	$ 1,505
Additional paid-in capital	14,388,280	24,000	2,842,281	k	17,254,561
Accumulated (deficit) equity	(20,796,066)	676,340	(676,340)	l	(20,796,066)
Total stockholders' (deficit) equity	(6,376,258)	701,340	2,134,918		$ (3,540,000)
Total liabilities and stockholders' deficit	$ 986,574	$ 2,510,410	$ 6,183,710		$ 9,680,694

See Notes to these financial statements

INTELLINETICS, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2019

	Intellinetics	Graphic Sciences	Pro Forma Adjustments		Combined
Sale of software	$ 189,165	$ -	$ -		$ 189,165
Software as a service	859,637				859,637
Software maintenance services	1,011,278				1,011,278
Professional services	449,707	6,710,309			7,160,016
Third party services	26,168				26,168
Total revenues	$ 2,535,955	$ 6,710,309	$ -		$ 9,246,264
Cost of revenues:					
Sale of software	$ 8,633	$ -	$ -		$ 8,633
Software as a service	254,999				254,999
Software maintenance services	87,280				87,280
Professional services	192,129	3,394,040			3,586,169
Third party services	24,802				24,802
Total cost of revenues	$ 567,843	$ 3,394,040	$ -		$ 3,961,883
Gross profit	$ 1,968,112	$ 3,316,269	$ -		$ 5,284,381
Operating expenses:					
General and administrative	$ 2,131,385	$ 2,148,911	$ (117,000)	m	$ 4,163,296
Sales and marketing	981,618				981,618
Depreciation and amortization	7,701	124,600	161,904	n	294,205
Total operating expenses	$ 3,120,704	$ 2,273,511	$ 44,904		$ 5,439,119
Loss from operations	$ (1,152,592)	$ 1,042,758	$ (44,904)		$ (154,738)
Other income (expense)					
Income tax expense	$ -	$ (214,265)	$ 214,265	o	-
Interest expense, net	$ (980,689)	$ (186,604)	$ (156,396)	p	(1,323,689)
Net loss	$ (2,133,281)	$ 641,889	$ 12,965		$ (1,478,427)
Basic and diluted net loss per share:	(5.76)				(0.53)
Weighted average number of common shares outstanding - basic and diluted	370,279		2,423,914	h	2,794,193

See Notes to these consolidated financial statements

1. Transaction and Basis of Presentation

On March 2, 2020, Intellinetics, Inc. ("Intellinetics" or the "Company") acquired all of the issued and outstanding capital stock of Graphic Sciences, Inc., a Michigan corporation ("GSI"). Located in Madison Heights, Michigan, GSI is a document management company that provides indexing and scanning services, as well as physical document storage and retrieval services. Multi-year state and local government contracts account for the majority of GSI's sales.

The acquisition was consummated pursuant to a Stock Purchase Agreement, dated as of March 2, 2020, by and among the Company, as the purchaser, GSI, as the target, and Thomas M. Liebold, Gregory P. Colton, Fredrick M. Kamienny, and Frederick L. Erlich, collectively as the sellers. The initial purchase price for GSI consisted of approximately $3.5 million in cash, on a cash-free, debt-free basis, and subject to a post-closing net working capital adjustment. The positive net working capital at the time of closing consisted of approximately $1.0 million in accounts receivable and other current assets and approximately $0.3 million in trade payables and other obligations relating to GSI's ongoing business and contracts. In addition to the initial purchase price, three annual potential earnout payments of up to an aggregate of $2.5 million will be payable to the Sellers over three years if certain gross profit levels are achieved. The acquisition was effective as of 12:01 a.m. on March 2, 2020. The Company financed the transaction by entering into a Securities Purchase Agreement with certain accredited investors, pursuant to which the Company issued and sold (i) 875,000 shares of the Company's common stock, at a price of $4.00 per share, for aggregate gross proceeds of $3,500,000 and (ii) 2,000 units ("Units"), with each Unit consisting of $1,000 in 12% Subordinated Notes and 40 shares, for aggregate gross proceeds of $2,000,000 in Units and $5,500,000 for the combined private placement.

The accompanying unaudited pro forma condensed combined balance sheet presents Intellinetics' historical financial position combined with GSI as if the acquisition had occurred on December 31, 2019 and the unaudited pro forma condensed combined statement of income presents the combined results of Intellinetics' operations with GSI as if the acquisition had occurred on January 1, 2019. The accompanying pro forma condensed combined financial statements include management's assumptions and certain adjustments described in greater detail below.

Intellinetics and GSI have different fiscal years. The unaudited pro forma condensed combined balance sheet and statements of income have been prepared utilizing period ends that differ by less than 93 days, as permitted by Regulation S-X. The pro forma statement of income information is based on the following:

- With respect to Intellinetics, the audited consolidated financial statements of Intellinetics contained in its Annual Report on Form 10-K for the year ended December 31, 2019; and
- With respect to GSI, the audited financial statements of GSI for the year ended September 30, 2019.

The pro forma balance sheet information is based on the following:

- With respect to Intellinetics, the Intellinetics audited consolidated balance sheet as of December 31, 2019; and
- With respect to GSI, the GSI unaudited balance sheet as of December 31, 2019.

The historical consolidated financial statements have been adjusted in the pro forma condensed combined financial statements to give effect to pro forma events that are (1) directly attributable to the business combination, (2) factually supportable and (3) with respect to the pro forma condensed combined statements of operations, expected to have a continuing impact on the combined results following the business combination.

The business combination was accounted for under the acquisition method of accounting in accordance with ASC Topic 805, Business Combinations. As the acquirer for accounting purposes, the Company has estimated the fair value of GSI's assets acquired and liabilities assumed and conformed the accounting policies of GSI to its own accounting policies.

The pro forma combined financial statements do not necessarily reflect what the combined company's financial condition or results of operations would have been had the acquisition occurred on the dates indicated. They also may not be useful in predicting the future financial condition and results of operations of the combined company. The actual financial position and results of operations may differ significantly from the pro forma amounts reflected herein due to a variety of factors.

The unaudited pro forma condensed combined financial information does not reflect any cost savings from operating efficiencies or synergies that could result from the acquisition. Additionally, the unaudited pro forma condensed combined financial information does not reflect additional revenue opportunities following the acquisition. The unaudited pro forma condensed combined financial information also does not impute any on-going financing costs which the Company may or may not incur related to the transaction.

Certain reclassifications have been made relative to GSI's historical financial statements to conform to the financial statement presentation of Intellinetics. Such reclassifications are described in further detail in Note 5 to the unaudited pro forma combined condensed financial statements.

2. Accounting Policies

As a result of the continuing review of GSI's accounting policies, Intellinetics may identify differences between the accounting policies of the two businesses that, when conformed, could have a material impact on the combined financial statements. The unaudited pro forma combined condensed financial statements do not assume any differences in accounting policies other than as described in Note 4.

3. Purchase Price and Allocation

The following table sets forth the purchase consideration paid to shareholders of GSI on March 2, 2020, the date of acquisition. The preliminary purchase price allocation set forth below assumes the acquisition had closed on December 31, 2019:

Consideration paid to GSI's Stockholders:		
Cash	$	3,500,000
Working capital adjustment		133,080
Work in process payout		276,023
Total consideration	$	3,909,103
Preliminary purchase price allocation:		
Cash and cash equivalents	$	20,119
Accounts receivable		1,071,770
Inventories		367,419
Prepaid expenses and other current assets		79,070
Property, plant and equipment		732,372
Right of use asset		2,885,619
Accounts payable		(109,624)
Accrued expenses		(386,915)
Deferred revenues		(39,186)
Lease liability		(2,885,619)
Noncurrent deferred tax liability, net		(149,900)
Total tangible assets acquired and liabilities assumed		1,585,125
Intangible assets		1,230,000
Contingent liability		(686,200)
Goodwill		1,780,178
Total pro forma net assets acquired	$	3,909,103

The final determination of the purchase price allocation and the amount of goodwill acquired will be based on GSI's assets acquired and liabilities assumed as of March 2, 2020, the date of acquisition.

For the purposes of this pro forma analysis, the purchase price has been preliminarily allocated based on an estimate of the fair value of assets acquired and liabilities assumed as of the date of acquisition. The determination of estimated fair value requires management to make significant estimates and assumptions. The final valuation of net assets is expected to be completed as soon as possible but no later than one year from the acquisition date. The Company will adjust its estimates as needed based upon the final valuation. The following is a summary of preliminary valuation estimates along with management's assumptions included in the adjustments reflected in the pro forma condensed combined financial information:

Tangible assets and liabilities: Tangible assets and liabilities were valued at their respective carrying amounts which management believes approximate their fair values as of the assumed date of acquisition.

Accrued and other liabilities: Accrued expenses were adjusted to record combined estimated transaction costs incurred. These costs were incurred after December 31, 2019, but are included as an adjustment to accrued and other liabilities and accumulated deficit for purposes of presenting the pro forma condensed combined balance sheet as if the transaction had occurred on December 31, 2019. These transaction expenses are not reflected in the pro forma condensed combined statement of income for the year ended December 31, 2019, as they are not expected to have a continuing impact on future operations.

Identifiable intangible assets: The fair value of intangible assets acquired is based on management's preliminary valuation as of the acquisition date. Estimated useful lives are based on the time periods during which the intangibles are expected to result in incremental cash flows. The following reflects the estimated fair values and useful lives of the significant intangible assets identified based on management's preliminary purchase accounting assessments:

		Estimated Fair Value	Estimated Useful Life (in years)
Customer contracts	$	1,111,000	6-8
Trademarks and trade name		119,000	10
	$	1,230,000	

The fair value of customers contracts has been estimated using the multi-period excess earnings method, based on forecasted revenue, after-tax cash flow, and contributor asset charges. The fair value of the Trademarks and trade names has been estimated using the relief from royalty method, assuming that if the company did not own the intangible asset or intellectual property, then it would be willing to pay a royalty for its use.

At this time, the Company's estimates of the fair values of intangible assets are still subject to considerable uncertainty, as substantial amounts of GSI's data must be thoroughly analyzed before more precise valuations can be determined. The Company anticipates that these analyses will be completed during the measurement period following the closing date.

Goodwill: Goodwill represents the excess of the acquisition consideration over the preliminary estimated fair values of nets assets acquired. Goodwill presented in the unaudited combined balance sheet was based on the net assets as if the acquisition had occurred on December 31, 2019. Goodwill for the final allocation of the purchase price will be based on the fair value of the net assets acquired on March 2, 2020, the date of acquisition.

Deferred income tax assets and liabilities: On a historical basis, the Company provided for a valuation allowance equal to the full amount of its net deferred tax asset, which consisted primarily of its net operating loss carryforwards for income tax purposes. On a combined basis, the Company currently expects a full valuation allowance would need to be recorded in the first reporting period in 2020 for this due to uncertainty. In addition, the acquisition results in the assumption of net deferred tax liabilities associated with the historical book values of assets acquired and liabilities assumed verses the tax basis of those same assets and liabilities.

4. Pro Forma Adjustments

Pro forma adjustments are necessary to reflect the consideration paid to GSI's stockholders and to adjust amounts related to the tangible and intangible assets and liabilities of GSI to reflect the preliminary estimate of their fair values and the impact on the combined statement of income as if Intellinetics and GSI had been combined during the periods presented. The pro forma adjustments included in the unaudited pro forma combined financial statements are as follows:

(a) To record an adjustment to remove GSI cash not acquired in transaction. This amount is offset by an increase in cash related to remaining unused net proceeds from equity offering.

(b) To record an adjustment to accounts to align with opening balance amounts based on preliminary fair value assessment.

(c) To record an adjustment to remove GSI note payables not included or acquired in transaction.

(d) To record an adjustment to record right of use asset and related lease liability in connection with the adoption of ASC 842 "leases".

(e) To record an adjustment to record intangible assets and goodwill based on preliminary purchase price allocation.

(f) To record an adjustment to record the issuance of subordinated notes, net of related financing fees, as net proceeds were used in connection with the transaction

(g) To record an adjustment to record contingent consideration due to seller in connection with the transaction, based on preliminary purchase price allocation.

(h) To adjust number of shares outstanding and basic and diluted EPS based on reverse split and stock issuance.

(i) To record an adjustment to remove deferred tax amounts not attributable to consolidated entity.

(j) Adjustment to effectuate the reverse stock split and issuance of common equity which proceeds were used in connection with the transaction.

(k) Adjustments to remove GSI additional paid in capital, offset by an increase due to stock issuance net of transaction costs.

(l) To remove GSI retained earnings.

(m) To record an adjustment to remove non-recurring transaction expenses included in historical amounts.

(n) To record an adjustment for depreciation and amortization of intangibles and property, plant and equipment based on purchase accounting adjustments.

(o) To remove historical income tax expense of GSI.

(p) To record an adjustment to remove historical GSI interest expense, offset by additional expense incurred associated with subordinated notes.

5. Non-recurring Transaction Costs

The Company and GSI have incurred and the Company will continue to incur certain non-recurring transaction expenses. The pro forma condensed combined balance sheet as of December 31, 2019 includes an adjustment of approximately $364,000 to accrued and other liabilities for combined estimated transaction costs (See Note 2 above). These transaction expenses are not reflected in the pro forma condensed combined statement of income for the year ended December 31, 2019, as they are not expected to have a continuing impact on future operations.

6. Pro Forma Combined Net Income (Loss) per Share

The pro forma basic and diluted net income (loss) per share presented in the unaudited pro forma combined condensed consolidated statements of operations is computed based on the weighted-average number of shares outstanding:

		Twelve months ended December 31, 2019
Pro forma net loss	$	1,478,427
Intellinetics' weighted average shares, basic and diluted		370,279
Shares expected to be issued in conjunction with acquisition of GSI		2,423,914
Pro forma weighted average shares, basic and diluted		2,794,193
Pro forma net loss per share, basic and diluted	$	0.53