

**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): April 1, 2022

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

Nevada
(State or other jurisdiction
of incorporation)

000-31671
(Commission
File Number)

87-0613716
(I.R.S Employer
Identification No.)

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

43228
(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	Trading Symbol(s)	Name of each exchange on which registered
None	INLX	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 April 1, 2022, 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 substantially all the assets of Yellow Folder, LLC, a Texas limited liability company ("Yellow Folder"). 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 April 1, 2022, the Company acquired substantially all the assets of Yellow Folder, 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 Yellow Folder as of December 31, 2021, and for the year then ended, and the report of GBQ Partners LLC, independent registered public accounting firm, thereon, are filed herewith as Exhibit 99.1 and incorporated herein by reference.

The unaudited financial statements of Yellow Folder as of March 31, 2022 and 2021, and for the three-month periods then ended, 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 Yellow Folder as of December 31, 2021, and for the one-year period then ended, and as of March 31, 2022, and for the three-month 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 Yellow Folder.

(d) Exhibits

<u>Exhibit No.</u>	<u>Name of Exhibit</u>
2.1	<u>Asset Purchase Agreement, dated as of April 1, 2022, by and among Intellinetics, Inc., 16th Fairway, LLC, TAG 2103 Investment Trust, Elderly Moose, LLC, and Double Wolves, Inc. (Filed with the Initial Form 8-K.)</u>
99.1	<u>The audited financial statements of Yellow Folder, LLC, as of December 31, 2021, and for the one-year period then ended. (Filed herewith.)</u>
99.2	<u>The unaudited financial statements of Yellow Folder, LLC, as of March 31, 2022 and 2021, and for the three-month periods then ended (Filed herewith.)</u>
99.3	<u>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, 2021 and during the one year period then ended. (Filed herewith.)</u>
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

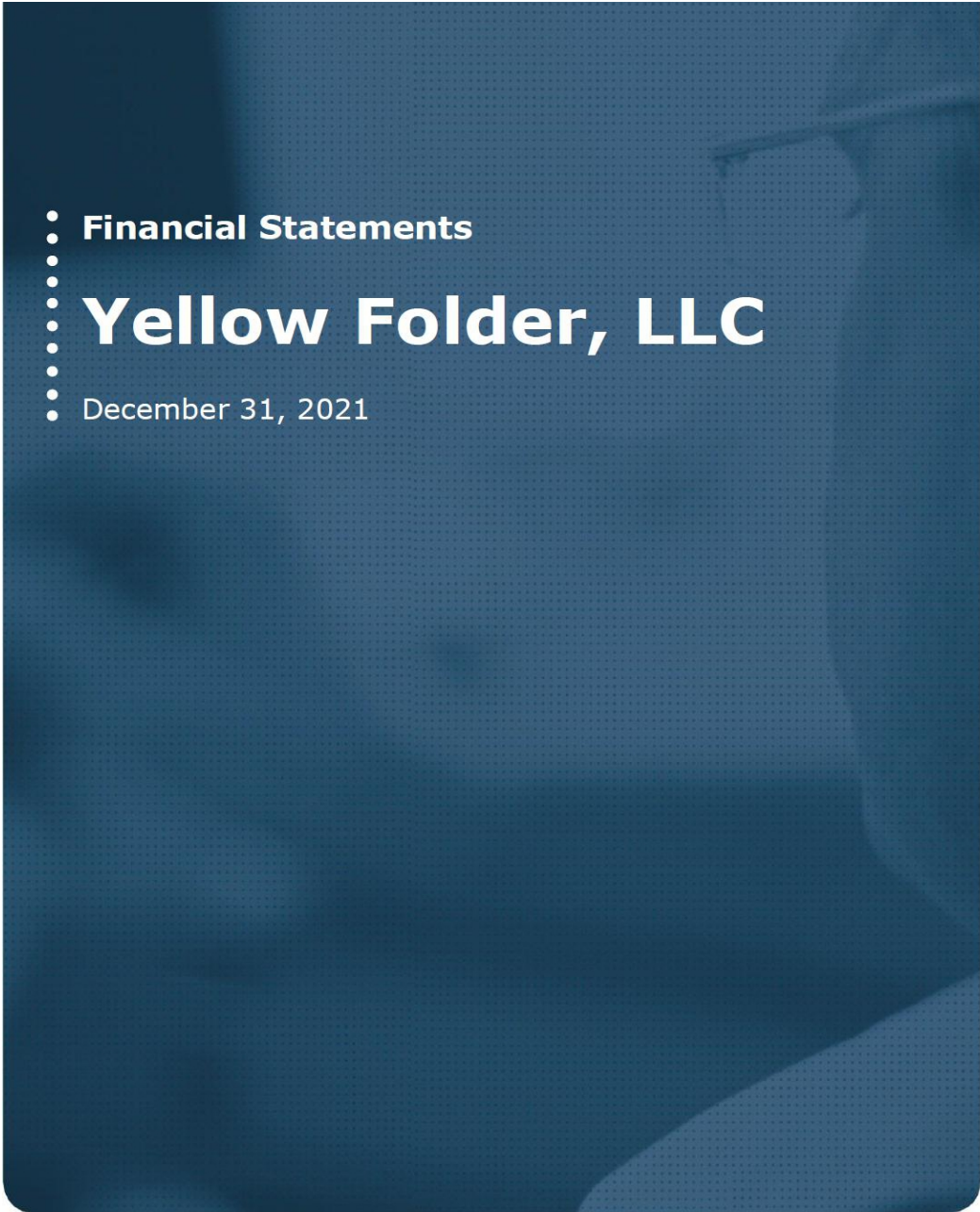
SIGNATURES

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: June 15, 2022



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To the Board of Directors and Shareholders
Yellow Folder, LLC
Carrollton, Texas

Independent Auditor's Report

Opinion

We have audited the accompanying financial statements of Yellow Folder, LLC (the Company), which comprise the balance sheet as of December 31, 2021, and the related statements of operations and changes in members' deficit, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of a Matter – Subsequent Event

As discussed in the *Subsequent Event Note* to the financial statements, on April 1, 2022, the Company entered into an agreement to sell substantially all of the assets of the Company for a purchase price of approximately \$6,500,000 subject to a post-closing net working capital adjustment.

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To the Board of Directors and Shareholders
Yellow Folder, LLC
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Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company'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.

/s/ GBQ Partners LLC

Columbus, Ohio
June 10, 2022

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ASSETS	
Current Assets	
Cash	\$ 548,895
Accounts receivable, net of allowance	83,451
Prepaid expenses	59,442
Contract assets	73,114
Total current assets	764,902
Property and Equipment, at cost	
Computer equipment	1,282,494
Furniture and fixtures	17,690
	1,300,184
Accumulated depreciation	(1,279,161)
Total property and equipment, net	21,023
TOTAL ASSETS	\$ 785,925

LIABILITIES AND MEMBERS' DEFICIT	
Current Liabilities	
Accounts payable	\$ 42,246
Capital lease obligations - current portion	59,286
Deferred revenues	1,305,475
Accrued expenses	67,628
Total current liabilities	1,474,635
Capital lease obligations, net of current portion	25,546
Total Liabilities	1,500,181
Members' Deficit	(714,256)
TOTAL LIABILITIES AND MEMBERS' DEFICIT	\$ 785,925

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

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YELLOW FOLDER, LLC
Statement of Operations
For the Year Ended December 31, 2021

Sales	\$ 2,813,474
Cost of Sales	1,038,204
Gross profit	1,775,270
Selling, General and Administrative Expenses	1,153,603
Operating income	621,667
Other Expense, net	(13,192)
Net Income	\$ 608,475

The accompanying notes are an integral part of the financial statements

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YELLOW FOLDER, LLC
Statements of Changes in Member's Deficit
For the Year Ended December 31, 2021

	Class A Units	Class B Units	Member's Equity
Balance at December 31, 2020 (Unaudited)	\$ (1,064,231)	\$ 341,500	\$ (722,731)
Net income	608,475	-	608,475
Distributions	(600,000)	-	(600,000)
Balance at December 31, 2021	\$ (1,055,756)	\$ 341,500	\$ (714,256)

YELLOW FOLDER, LLC
Statement of Cash Flows
For the Year Ended December 31, 2021

Cash Flow from Operating Activities	
Net income	\$ 608,475
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	36,954
Bad debt expense	19,440
Changes in operating assets and liabilities:	
Accounts receivable	(68,271)
Prepaid expenses	(36,529)
Other assets	13,262
Contract assets	(59,444)
Accounts payable	3,085
Accrued expenses	(39,101)
Deferred revenue	148,706
Total adjustments	18,102
Net cash flow provided by operating activities	626,577
Cash Flow from Investing Activities	
Acquisition of property and equipment	(24,668)
Cash Flow from Financing Activities	
Member distributions	(600,000)
Payments on capital lease obligations	(56,541)
Net cash used in financing activities	(656,541)
Net decrease in cash	(54,632)
Cash - Beginning of Year (unaudited)	603,527
Cash - End of Year	\$ 548,895
Supplemental Disclosure of Cash Flow Information	
Interest paid	\$ 5,497
Taxes paid	6,595

The accompanying notes are an integral part of the financial statements

YELLOW FOLDER, LLC
Notes to Financial Statements
December 31, 2021

Nature and Scope of Business

Yellow Folder, LLC (the Company), located in Carrollton, Texas, is a closely held Texas company whose principal business activities consist of providing document securing/ management services within a private, HIPPA and FERPA compliant database to K-12 school districts across the United States as well as storage and other auxiliary services.

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 based on agreed-upon contractual terms, and billed at periodic intervals.

Management estimates an allowance for doubtful accounts based on specifically identified amounts that are believed to be uncollectible, which are determined based on historical experience and a current assessment of the general financial conditions affecting the customer base. At December 31, 2021, management has recorded an allowance for doubtful accounts of \$19,440.

Property and Equipment

Property and equipment are carried at cost. Depreciation is calculated using the straight-line method 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:

Computer equipment	3 years
Furniture and fixtures	5 years

Depreciation expense was approximately \$36,954 for the year ended December 31, 2021.

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YELLOW FOLDER, LLC Notes to Financial Statements December 31, 2021

Summary of Significant Accounting Policies (continued)

Revenue Recognition

Revenue is recognized when a performance obligation has been satisfied by transferring control of promised products or services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products or services, including any variable consideration.

Nature of Products and Services

The Company has three streams of revenue, Software as a Service (SaaS) related to arrangements that provide customers the use of the Company's software application, Box storage services and other revenues comprised by; Image processing, retrieval and other miscellaneous professional service offerings. SaaS and Box storage revenues are recognized ratably over time based on the passage of time as the customer receives the benefit. Image processing, retrieval and other miscellaneous service offering revenues are recognized using an input or output method (images scanned or labor hours incurred).

Contract Balances

Timing of revenue recognition may differ from the timing of invoicing to customers. The Company records a contract asset when revenue is recognized prior to invoicing, or deferred revenue when revenue is recognized subsequent to invoicing.

Costs to Obtain a Contract with a Customer

The Company recognizes an asset for the incremental costs of obtaining a contract with a customer if the expected benefit of those costs is longer than one year. The Company has determined that certain sales incentive programs, primarily commissions, meet the requirements to be capitalized. Total capitalized costs to obtain a contract are included in Contract Assets within the accompanying balance sheet and are amortized over a 3-year period.

Income Taxes

The Company is a limited liability company and is taxed as a partnership. Therefore, its taxable income or loss is included in its members' federal and state income tax returns. Accordingly, no provision for federal or state income taxes is recorded in these financial statements. The Company is subject to local income taxes.

The Company accounts for uncertainty in income taxes in its financial statements as required under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), 740, *Income Taxes*. The standard prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The standard also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition accounting. Management determined there were no material uncertain positions taken by the Company in its tax returns.

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YELLOW FOLDER, LLC Notes to Financial Statements December 31, 2021

Summary of Significant Accounting Policies (continued)

New Accounting Pronouncement

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, 2021. The Company has not yet determined the effect of the pronouncement on the financial statements.

Cash

The Company maintains cash at one financial institution, which may exceed federally insured amounts at various times.

Software Development Costs

The Company continuously monitors its software products and enhancements to remain compatible with standard platforms and file formats. In accordance with ASC 350-40, "Internal-Use Software," we capitalize purchase and implementation costs of internal use software. Once an application has reached development stage, internal and external costs, if direct and incremental, are capitalized until the software is substantially complete and ready for its intended use. Capitalization ceases upon completion of all substantial testing. We also capitalize costs related to specific upgrades and enhancements when it is probable that the expenditure will result in additional functionality.

Such capitalized costs are stated at cost less accumulated amortization. Amortization is computed over the estimated useful lives of the related assets on a straight-line basis, which is three years. No such costs were capitalized in 2021. For the year ended December 31, 2021 the Company expensed research and development costs related to computer software costs of \$831,169.

Capital Lease Obligations

The Company leases certain computer servers under capital lease obligations that mature in 2023. The cost of the servers are included in the accompanying balance sheet as property and equipment. As of December 31, 2021, the cost of the capital lease servers was \$286,517 and both have been fully depreciated as of December 31, 2021. Depreciation expense of the leased servers at December 31, 2021 was \$31,836. Both leases contain a bargain purchase option, which allows the Company to purchase the equipment at the end of the lease term for substantially less than fair market value.

Capital Lease Obligations (continued)

Future minimum payments due under the capital lease obligation and the present value of the future minimum lease payments as of December 31, 2021 are as follows:

	2022	\$ 62,038
	2023	25,848
Total minimum lease payments		87,886
Less: amount representing interest (at 4.75% per annum)		(3,054)
Present value of net minimum lease payments		84,832
Less: current maturities of capital lease obligations		(59,286)
Long-term capital lease obligations		\$ 25,546

Interest expense charged on capital leases was approximately \$5,495 for the year ended December 31, 2021.

Sales

Revenues within the accompanying statement of operations consist of the following for the year ended December 31, 2021:

Software as a service	\$ 2,648,559
Box storage revenues	92,319
Other revenues	72,596
Total net revenues	\$ 2,813,474

Contract Assets

Activity in contract assets (deferred commissions) for the year ended December 31, 2021 was as follows:

Contract assets, net - beginning of year	\$ 13,670
Additions	74,420
Amortization	(14,976)
Contract assets, net - end of year	\$ 73,114

Contract Assets (continued)

The following is a schedule of the future amortization of deferred commissions as of December 31, 2021:

2022	\$ 29,896
2023	28,298
2024	14,920
Total	\$ 73,114

Members' Equity

As of December 31, 2021, the Company had 100,000 shares of Class A units and 683 shares of Class B units issued and outstanding, respectively. For the twelve months

ended December 31, 2021 \$600,000 of distributions were declared and paid on the Class A units. The Class B units have no voting rights or decision-making authority. The total of liquidation preference amount in the aggregate for the class A units relative to Class B units is approximately \$52,000,000 at December 31, 2021.

Leasing Arrangements

The Company leases an office for its personnel and a storage unit for customer documents both under month to month operating leases. The operating leases have monthly rental payments of \$375 and \$32, respectively. The Company is responsible for maintenance, taxes and other expenses associated with the leased property.

Total lease expense amounted to approximately \$4,800 for the year ended December 31, 2021.

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 year ended December 31, 2021.

Subsequent Events

On April 1, 2022, substantially all of the assets of the Company were sold for a purchase price of approximately \$6,500,000 subject to a post-closing net working capital adjustment.

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.

YELLOW FOLDER, LLC
Financial Statements (Unaudited)
For the Three Months Ended March 31, 2022

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YELLOW FOLDER, LLC
Balance Sheets

	(unaudited) March 31, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash	\$ 545,341	\$ 548,895
Accounts receivable, net of allowance	92,805	83,451
Other contract assets	73,114	73,114
Prepaid expenses	38,913	59,442
Total current assets	750,173	764,902
Property and equipment, at cost		
Computer equipment	1,312,086	1,282,494
Furniture and fixtures	17,690	17,690
	1,329,776	1,300,184
Accumulated depreciation	(1,288,401)	(1,279,161)
Total property and equipment, net	41,375	21,023
Total assets	\$ 791,548	\$ 785,925
LIABILITIES AND MEMBERS' DEFICIT		
Current liabilities:		
Accounts payable	\$ 58,157	\$ 42,246
Accrued expenses	115,539	67,628
Capital lease obligations - current portion	-	59,286
Deferred revenues	1,053,219	1,305,475
Total current liabilities	1,226,915	1,474,635
Long-term liabilities:		
Capital lease obligations, net of current portion	-	25,546
Total liabilities	1,226,915	1,500,181
Members' deficit	(435,637)	(714,256)
Total liabilities and members' deficit	\$ 791,548	\$ 785,925

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

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YELLOW FOLDER, LLC
Statements of Operations
(Unaudited)

	For the Three Months Ended March 31,	
	2022	2021
Sales	\$ 803,613	\$ 666,858

Cost of sales	318,409	197,209
Gross profit	485,204	469,649
Selling, general and administrative expenses	206,315	212,076
Operating income	278,889	257,573
Other expense, net	-	-
Net income	<u>\$ 278,889</u>	<u>\$ 257,573</u>

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

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YELLOW FOLDER, LLC
Statements of Members' Deficit
For the Three Months Ended March 31, 2022 and 2021

	<u>Class A Units</u>	<u>Class B Units</u>	<u>Members' Deficit</u>
Balance, December 31, 2020 (Unaudited)	\$ (1,064,231)	\$ 341,500	\$ (722,731)
Net Income	<u>257,573</u>	<u>-</u>	<u>257,573</u>
Balance, March 31, 2021 (Unaudited)	<u>\$ (806,658)</u>	<u>\$ 341,500</u>	<u>\$ (465,158)</u>
Balance, December 31, 2021	\$ (1,055,756)	\$ 341,500	\$ (714,256)
Net Income	<u>278,889</u>	<u>-</u>	<u>278,889</u>
Balance, March 31, 2022 (Unaudited)	<u>\$ (776,867)</u>	<u>\$ 341,500</u>	<u>\$ (435,367)</u>

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

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YELLOW FOLDER, LLC
Statement of Cash Flows
(Unaudited)

	<u>For the Three Months Ended March 31, 2022</u>
Cash flow from operating activities:	
Net income	\$ 278,889
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	9,240
Changes in operating assets and liabilities:	
Accounts receivable	(9,354)
Prepaid expenses	20,529
Accounts payable and accrued expenses	63,822
Deferred revenue	(252,256)
Total adjustments	<u>(168,019)</u>
Net cash provided by operating activities	<u>110,870</u>
Cash flows from investing activities:	
Purchases of property and equipment	(29,592)
Net cash used in investing activities	<u>(29,592)</u>
Cash flows from financing activities:	
Payment of capital lease obligations	(84,832)
Net cash (used in) financing activities	<u>(84,832)</u>
Net decrease in cash	(3,554)
Cash - beginning of period	548,895
Cash - end of period	<u>\$ 545,341</u>
Supplemental disclosure of cash flow information:	
Cash paid during the period for interest and taxes	\$ 6,000

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

Nature and Scope of Business

Yellow Folder, LLC (the Company), located in Carrollton, Texas, is a closely held Texas company whose principal business activities consist of providing document securing/ management services within a private, HIPPA and FERPA compliant database to K-12 school districts across the United States as well as storage and other auxiliary services.

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 based on agreed-upon contractual terms, and billed at periodic intervals.

Management estimates an allowance for doubtful accounts based on specifically identified amounts that are believed to be uncollectible, which are determined based on historical experience and a current assessment of the general financial conditions affecting the customer base. At March 31, 2022, management has recorded an allowance for doubtful accounts of \$19,440.

Property and Equipment

Property and equipment are carried at cost. Depreciation is calculated using the straight-line method 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:

Computer equipment	3 years
Furniture and fixtures	5 years

Depreciation expense was approximately \$3,080 for the three months ended March 31, 2022 and 2021.

Summary of Significant Accounting Policies (continued)

Revenue Recognition

Revenue is recognized when a performance obligation has been satisfied by transferring control of promised products or services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products or services, including any variable consideration.

Nature of Products and Services

The Company has three streams of revenue, Software as a Service (SaaS) related to arrangements that provide customers the use of the Company's software application, Box storage services and other revenues comprised by; Image processing, retrieval and other miscellaneous professional service offerings. SaaS and Box storage revenues are recognized ratably over time based on the passage of time as the customer receives the benefit. Image processing, retrieval and other miscellaneous service offering revenues are recognized using an input or output method (images scanned or labor hours incurred).

Contract Balances

Timing of revenue recognition may differ from the timing of invoicing to customers. The Company records a contract asset when revenue is recognized prior to invoicing, or deferred revenue when revenue is recognized subsequent to invoicing.

Costs to Obtain a Contract with a Customer

The Company recognizes an asset for the incremental costs of obtaining a contract with a customer if the expected benefit of those costs is longer than one year. The Company has determined that certain sales incentive programs, primarily commissions, meet the requirements to be capitalized. Total capitalized costs to obtain a contract are included in Contract Assets within the accompanying balance sheet and are amortized over a 3-year period.

Income Taxes

The Company is a limited liability company and is taxed as a partnership. Therefore, its taxable income or loss is included in its members' federal and state income tax returns. Accordingly, no provision for federal or state income taxes is recorded in these financial statements. The Company is subject to local income taxes.

The Company accounts for uncertainty in income taxes in its financial statements as required under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), 740, *Income Taxes*. The standard prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The standard also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition accounting. Management determined there were no material uncertain positions taken by the Company in its tax returns.

YELLOW FOLDER, LLC
Notes to Financial Statements (Unaudited)
March 31, 2022

Summary of Significant Accounting Policies (continued)

New Accounting Pronouncement

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, 2021. The Company has not yet determined the effect of the pronouncement on the financial statements.

Cash

The Company maintains cash at one financial institution, which may exceed federally insured amounts at various times.

Software Development Costs

The Company continuously monitors its software products and enhancements to remain compatible with standard platforms and file formats. In accordance with ASC 350-40, "Internal-Use Software," we capitalize purchase and implementation costs of internal use software. Once an application has reached development stage, internal and external costs, if direct and incremental, are capitalized until the software is substantially complete and ready for its intended use. Capitalization ceases upon completion of all substantial testing. We also capitalize costs related to specific upgrades and enhancements when it is probable that the expenditure will result in additional functionality. Such capitalized costs are stated at cost less accumulated amortization. Amortization is computed over the estimated useful lives of the related assets on a straight-line basis, which is three years. No such costs were capitalized in 2022 or 2021. For the three months ended March 31, 2022 and 2021 the Company expensed research and development costs related to computer software costs of \$173,575 and \$178,358.

Capital Lease Obligations

As of March 31, 2022 no capital leases remained for certain computer servers and the servers have been fully depreciated as of March 31, 2022. Depreciation expense of the leased servers for the three months ended March 31, 2021 was \$19,101. Interest expense charged on capital leases was approximately \$950 and \$1,624 for the three months ended March 31, 2022 and 2021.

Sales

Revenues within the accompanying statement of operations consist of the following:

	For the three months ended:	
	March 31, 2022	March 31, 2021
Software as a service	\$ 672,317	\$ 581,129
Box storage revenues	83,240	63,841
Other revenues	48,056	21,888
Total net revenues	<u>\$ 803,613</u>	<u>\$ 666,858</u>

Contract Assets

Activity in contract assets (deferred commissions) for the three months ended March 31, 2022 and 2021 was as follows:

	March 31, 2022	March 31, 2021
Contract assets, net - beginning of year	\$ 73,114	\$ 13,670
Additions	26,916	3,900
Amortization	(7,474)	(1,381)
Contract assets, net - end of year	<u>\$ 92,556</u>	<u>\$ 16,189</u>

The following is a schedule of the future amortization of deferred commissions as of March 31, 2022:

2023	\$ 47,175
2024	34,114
2025	11,266
Total	<u>92,556</u>

As of March 31, 2022 and 2021, the Company had 100,000 shares of Class A units and 683 shares of Class B units issued and outstanding, respectively. The Class B units have no voting rights or decision-making authority. The total of liquidation preference amount in the aggregate for the class A units relative to Class B units is approximately \$52,000,000 at March 31, 2022.

Leasing Arrangements

The Company leases an office for its personnel and a storage unit for customer documents both under month to month operating leases. The operating leases have monthly rental payments of \$375 and \$32, respectively. The Company is responsible for maintenance, taxes and other expenses associated with the leased property.

Total lease expense amounted to approximately \$1,200 for the three months ended March 31, 2022 and 2021.

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 March 31, 2022 and 2021.

Subsequent Events

On April 1, 2022, substantially all of the assets of the Company were sold for a purchase price of approximately \$6,500,000 subject to a post-closing net working capital adjustment.

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.

Unaudited Pro Forma Condensed Combined Financial Statements

On April 1, 2022, Intellinetics, Inc. (“Intellinetics” or the “Company”) acquired substantially all of the assets of Yellow Folder, LLC (“Yellow Folder”). The consideration paid by the Company to the stockholders of Yellow Folder consisted of approximately \$6.5 million in cash.

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, 2021; and
- Separate historical financial statements of Yellow Folder for the year ended December 31, 2021, which are included in Exhibit 99.1 to this Current Report on Form 8-K/A.
- Separate historical financial statements of Yellow Folder for the quarter ended March 31, 2022 and 2021, 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 Yellow Folder as if the acquisition had occurred on December 31, 2021 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 Yellow Folder as if the acquisition had occurred on January 1, 2021 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.

The Company has not completed a full, detailed valuation analysis necessary to determine the fair values of Yellow Folder’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, 2021, 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 Yellow Folder 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, 2021. 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 April 1, 2022, 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 quarterly report on Form 10-Q and Yellow Folder’s historical information included herein.

INTELLINETICS, INC. UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET December 31, 2021

	Intellinetics	Yellow Folder	Pro Forma Adjustments		Combined
ASSETS					
Current assets:					
Cash	\$ 1,752,630	\$ 548,895	\$ 876,672	a	\$ 3,178,197
Accounts receivable, net	1,176,059	83,451	-		1,259,510
Accounts receivable – unbilled	444,782	-	-		444,782
Parts and supplies – net	76,691	-	-		76,691
Other contract assets	78,556	73,114	-		151,670
Prepaid expenses and other current assets	155,550	59,442	-		214,992
Total current assets	\$ 3,684,268	\$ 764,902	\$ 876,672		\$ 5,325,842
Property and equipment, net	1,091,780	21,023	-		1,112,803
Right of use asset	3,841,612	-	-		3,841,612
Other assets	53,089	-	-		53,089
Intangible assets, net	968,496	-	3,888,798	d	4,857,294
Goodwill	2,322,887	-	3,888,798	d	6,211,685
Total assets	\$ 11,962,132	\$ 785,925	\$ 8,654,268		\$ 21,402,325
LIABILITIES AND STOCKHOLDERS’ DEFICIT					
Current liabilities:					
Accounts payable	\$ 181,521	\$ 42,246	\$ -		\$ 223,767
Accrued compensation	343,576	-	-		343,576
Accrued expenses, other	161,862	67,628	16,008	b	245,498
Lease liability - current	616,070	59,286	(59,286)	c	616,070
Deferred revenues	1,194,649	1,305,475	-		2,500,124

Deferred compensation	100,828	-	-	100,828
Earnout liabilities - current	<u>958,818</u>	<u>-</u>	<u>-</u>	<u>958,818</u>
Total current liabilities	\$ 3,557,324	\$ 1,474,635	\$ (43,278)	\$ 4,988,681
Long-term liabilities:				
Notes payable	\$ 1,754,527	\$ -	\$ -	\$ 1,754,527
Subordinated notes	-	-	2,727,340	e 2,727,340
Lease liability - net of current portion	3,316,682	25,546	(25,546)	c 3,316,682
Earnout liabilities - net of current portion	<u>671,863</u>	<u>-</u>	<u>-</u>	<u>671,863</u>
Total long-term liabilities	\$ 5,743,072	\$ 25,546	\$ 2,701,794	\$ 8,470,412
Total liabilities	\$ 9,300,396	\$ 1,500,181	\$ 2,658,516	\$ 13,459,093
Stockholders' Equity (Deficit):				
Common Stock	\$ 2,823	\$ -	\$ 1,243	f \$ 4,066
Additional paid-in capital	24,297,229	-	5,280,253	h 29,577,482
Accumulated (deficit) equity	<u>(21,638,316)</u>	<u>(714,256)</u>	<u>714,256</u>	i <u>(21,638,316)</u>
Total stockholders' (deficit) equity	2,661,736	(714,256)	5,995,752	\$ 7,943,232
Total liabilities and stockholders' deficit	\$ 11,962,132	\$ 785,925	\$ 8,654,268	\$ 21,402,325

See notes to these unaudited pro forma condensed combined financial statements.

INTELLINETICS, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2021

	<u>Intellinetics</u>	<u>Yellow Folder</u>	<u>Pro Forma Adjustments</u>	<u>Combined</u>
Total revenues	\$ 11,460,265	\$ 2,813,474	\$ -	\$ 14,273,739
Total cost of revenues	<u>\$ 4,517,283</u>	<u>\$ 1,038,204</u>	<u>\$ -</u>	<u>\$ 5,555,487</u>
Gross profit	\$ 6,942,982	\$ 1,775,270	\$ -	\$ 8,718,252
Total operating expenses	<u>\$ 5,977,994</u>	<u>\$ 1,153,603</u>	<u>\$ 486,100</u>	<u>\$ 7,617,697</u>
Income from operations	\$ 964,988	\$ 621,667	\$ (486,100)	\$ 1,100,555
Other income (expense)				
Other income (expense)	\$ 845,083	\$ (13,192)		\$ 831,891
Interest expense, net	<u>\$ (452,120)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (452,120)</u>
Net income	<u>\$ 1,357,951</u>	<u>\$ 608,475</u>	<u>\$ (486,100)</u>	<u>\$ 1,480,326</u>
Basic net income per share:	\$ 0.48			\$ 0.36
Diluted net income per share:	\$ 0.44			\$ 0.33
Weighted average number of common shares outstanding - basic	2,822,972		1,242,588	g 4,065,560
Weighted average number of common shares outstanding - diluted	3,104,820		1,366,846	4,471,666

See notes to these unaudited pro forma condensed combined financial statements.

INTELLINETICS, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
March 31, 2022

	<u>Intellinetics</u>	<u>Yellow Folder</u>	<u>Pro Forma Adjustments</u>	<u>Combined</u>
ASSETS				
Current assets:				
Cash	\$ 2,172,758	\$ 545,341	\$ 880,226	a \$ 3,598,325
Accounts receivable, net	898,399	92,805	20,215	b 1,011,419
Accounts receivable – unbilled	473,986	-	-	473,986
Parts and supplies – net	65,713	-	-	65,713
Other contract assets	86,603	73,114	15,926	b 175,643
Prepaid expenses and other current assets	<u>211,087</u>	<u>38,913</u>	<u>8,476</u>	<u>b 258,476</u>

Total current assets	\$ 3,908,546	\$ 750,173	\$ 924,843		\$ 5,583,562
Property and equipment, net	1,087,832	41,375	9,012	b	1,138,219
Right of use asset	3,687,107	-	-		3,687,107
Other assets	79,293	-	-		79,293
Intangible assets, net	914,377	-	3,888,798	d	4,803,175
Goodwill	2,322,887	-	3,888,798	d	6,211,685
Total assets	\$ 12,000,042	\$ 791,548	\$ 8,711,451		\$ 21,503,041
LIABILITIES AND STOCKHOLDERS' DEFICIT					
Current liabilities:					
Accounts payable	\$ 330,270	\$ 58,157	\$ 12,668	b	\$ 401,095
Accrued compensation	287,044	-	-		287,044
Accrued expenses, other	155,384	115,539	25,167	b	296,090
Lease liability - current	635,423	-	-		635,423
Deferred revenues	1,136,066	1,053,219	229,413	b	2,418,698
Deferred compensation	80,662	-	-		80,662
Earnout liabilities - current	994,527	-	-		994,527
Notes payable - net	1,807,128	-	-		1,807,128
Total current liabilities	\$ 5,426,504	\$ 1,226,915	\$ 267,248		\$ 6,920,667
Long-term liabilities:					
Subordinated notes	\$ -	\$ -	\$ 2,727,340	e	\$ 2,727,340
Lease liability - net of current portion	3,151,110	-	-		3,151,110
Earnout liabilities - net of current portion	700,358	-	-		700,358
Total long-term liabilities	\$ 3,851,468	\$ -	\$ 2,727,340		\$ 6,578,808
Total liabilities	\$ 9,277,972	\$ 1,226,915	\$ 2,994,588		\$ 13,499,475
Stockholders' Equity (Deficit):					
Common Stock	\$ 2,831	\$ -	\$ 1,243	f	\$ 4,074
Additional paid-in capital	24,377,681	-	5,280,253	h	29,657,934
Accumulated (deficit) equity	(21,658,442)	(435,367)	435,367	i	(21,658,442)
Total stockholders' (deficit) equity	2,722,070	(435,367)	5,716,863		\$ 8,003,566
Total liabilities and stockholders' deficit	\$ 12,000,042	\$ 791,548	\$ 8,711,451		\$ 21,503,041

See notes to these unaudited pro forma condensed combined financial statements.

INTELLINETICS, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2022

	<u>Intellinetics</u>	<u>Yellow Folder</u>	<u>Pro Forma Adjustments</u>		<u>Combined</u>
Total revenues	\$ 2,703,512	\$ 803,613	\$ -		\$ 3,507,125
Total cost of revenues	\$ 1,071,675	\$ 318,409	\$ -		\$ 1,390,084
Gross profit	\$ 1,631,837	\$ 485,204	\$ -		\$ 2,117,041
Total operating expenses	\$ 1,539,362	\$ 206,315	\$ 121,525	j	\$ 1,867,202
Income from operations	\$ 92,475	\$ 278,889	\$ (121,525)		\$ 249,839
Interest expense, net	\$ (112,601)	\$ -	\$ -		(112,601)
Net income (loss)	\$ (20,126)	\$ 278,889	\$ (121,525)		\$ 137,238
Basic net income (loss) per share:	\$ (0.01)				\$ 0.03
Diluted net income (loss) per share:	\$ (0.01)				\$ 0.03
Weighted average number of common shares outstanding - basic	2,830,899		1,242,588	g	4,073,487
Weighted average number of common shares outstanding - diluted	2,830,899		1,366,846		4,197,745

See notes to these unaudited pro forma condensed combined financial statements.

1. Transaction and Basis of Presentation

On April 1, 2022, Intellinetics, Inc. (“Intellinetics” or the “Company”) acquired substantially all the assets of Yellow Folder, LLC, a Texas limited liability company (“Yellow Folder”). Located in Dallas, Yellow Folder is a document solutions company that specializes in the K-12 education market.

The Acquisition was consummated pursuant to an Asset Purchase Agreement, dated as of April 1, 2022 (the “Purchase Agreement”), by and among the Company, as the purchaser, Yellow Folder, as the seller, and 16th Fairway, LLC, TAG 2103 Investment Trust, Elderly Moose, LLC, and Double Wolves, Inc., collectively, as the members. The board of directors of the Company approved the Purchase Agreement and the transactions contemplated thereby. The purchase price for Yellow Folder consisted of approximately \$6.5 million in cash, on a cash-free, debt-free basis, and subject to a post-closing net working capital adjustment, with a preliminary working capital negative adjustment of \$116,731. The acquisition was effective as of 12:01 a.m. on April 1, 2022. 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) 1,242,588 shares of the Company’s common stock, at a price of \$4.62 per share, for aggregate gross proceeds of \$5,740,756 and (ii) \$2,964,500 in 12% Subordinated Notes, for aggregate gross proceeds of \$8,705,256 for the combined private placement.

The accompanying unaudited pro forma condensed combined balance sheet presents Intellinetics’ historical financial position combined with Yellow Folder as if the acquisition had occurred on December 31, 2021 and the unaudited pro forma condensed combined statement of income presents the combined results of Intellinetics’ operations with Yellow Folder as if the acquisition had occurred on January 1, 2021. The accompanying pro forma condensed combined financial statements include management’s assumptions and certain adjustments described in greater detail below.

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 Yellow Folder’s assets acquired and liabilities assumed and conformed the accounting policies of Yellow Folder 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 Yellow Folder’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 condensed combined financial statements.

2. Accounting Policies

As a result of the continuing review of Yellow Folder’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 Yellow Folder on April 1, 2022, the date of acquisition. The preliminary purchase price allocation set forth below assumes the acquisition had closed on December 31, 2019:

Consideration paid to Yellow Folder’s members:	
Cash	\$ 6,500,000
Working capital adjustment	(116,731)
Total consideration	<u>\$ 6,383,269</u>
Preliminary purchase price allocation	
Accounts receivable	\$ 83,451
Prepaid expenses	59,442
Contract assets	73,114
Property and equipment	21,023
Accounts payable	(42,246)
Accrued expenses	(67,628)
Deferred liability	(1,305,475)
Total tangible assets acquired and liabilities assumed	<u>(1,394,326)</u>
Intangible assets	3,888,798
Goodwill	3,888,798
Total pro forma net assets acquired	<u>\$ 6,383,269</u>

The final determination of the purchase price allocation and the amount of goodwill acquired will be based on Yellow Folder’s assets acquired and liabilities assumed as of April 1, 2022, 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, 2021, 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, 2021. These transaction expenses are not reflected in the pro forma condensed combined statement of income for the year ended December 31, 2021, as they are not expected to have a continuing impact on future operations.

Identifiable intangible assets: At this time, the Company's estimates of the fair values of intangible assets are still subject to considerable uncertainty, as substantial amounts of Yellow Folder'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 net 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, 2021. Goodwill for the final allocation of the purchase price will be based on the fair value of the net assets acquired on April 1, 2022, the date of acquisition.

4. Pro Forma Adjustments

Pro forma adjustments are necessary to reflect the consideration paid to Yellow Folder's stockholders and to adjust amounts related to the tangible and intangible assets and liabilities of Yellow Folder to reflect the preliminary estimate of their fair values and the impact on the combined statement of income as if Intellinetics and Yellow Folder 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 Yellow Folder 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 Yellow Folder short and long term capital lease liability not included or acquired in transaction.
- (d) To record an adjustment to record intangible assets and goodwill based on preliminary purchase price allocation.
- (e) 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.
- (f) To record an adjustment to common stock for stock issuance.
- (g) To adjust number of shares outstanding and basic and diluted EPS based on stock issuance.
- (h) Adjustments to remove Yellow Folder additional paid in capital, offset by an increase due to stock issuance net of transaction costs.
- (i) To remove Yellow Folder retained earnings.
- (j) To record an adjustment for amortization of intangibles based on purchase accounting adjustments.

5. Non-recurring Transaction Costs

The Company and Yellow Folder 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, 2021 includes an adjustment of approximately \$335,000 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, 2021, 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 condensed combined statements of operations is computed based on the weighted-average number of shares outstanding:

	Twelve months ended December 31, 2021
Pro forma net income	\$ 1,480,326
Intellinetics' weighted average shares, basic	2,822,972
Shares expected to be issued in conjunction with acquisition of Yellow Folder	1,242,588
Pro forma weighted average shares, basic	4,065,560
Pro forma net income per share, basic	\$ 0.36
Pro forma net income	\$ 1,480,326
Intellinetics' weighted average shares, diluted	3,104,820
Shares expected to be issued in conjunction with acquisition of Yellow Folder	1,366,846
Pro forma weighted average shares, diluted	4,471,666
Pro forma net income per share, diluted	\$ 0.33