UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): March 27, 2023

INTELLINETICS, INC.

(Exact name of Registrant as specified in its charter)

Nevada (State or other jurisdiction of incorporation)

001-41495 (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 |
|---------------------------------|-------------------|---|
| Common Stock, \$0.001 par value | INLX | NYSE American |

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 \Box

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. \Box

Item 2.02 Results of Operations and Financial Condition.

On March 27, 2023, the Company issued a press release announcing its financial results for the fiscal year and quarter ended December 31, 2022. A copy of the press release is attached hereto as Exhibit 99.1 and incorporated herein by reference.

The information reported under this Item 2.02 of Form 8-K, including Exhibit 99.1, is being furnished and shall not be deemed to be "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of such section, nor shall such information be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

| Exhibit No. | Name of Exhibit |
|-------------|---|
| | |
| 99.1 | Press release issued by Intellinetics, Inc., on March 27, 2023. |
| 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/ James F. DeSocio James F. DeSocio

James F. DeSocio President and Chief Executive Officer

Dated: March 27, 2023



Intellinetics Grows Annual Revenue 22% in 2022

SaaS Annual Revenue Increases 179%, Now at 29% of Total Revenue Reflecting Successful Acquisition and Transition toward SaaS Model

COLUMBUS, OH – March 27, 2023 – Intellinetics, Inc. (NYSE American: INLX), a digital transformation solutions provider, announced financial results for the three and 12 months ended December 31, 2022.

2022 Fourth Quarter Financial Highlights

- Total Revenue increased 47% over the same period in 2021.
- Software as a Service revenue increased 212% over the same period in 2021.
- As a percent of total revenue, SaaS revenue increased to 30% from 14% for the same period in 2021.
- Net Income increased 664% to \$200,784, compared to \$26,295 for the same period in 2021.
- Adjusted EBITDA increased 105% to \$691,141, compared to \$337,925 from the same period in 2021.

2022 12-Month Financial Highlights

- Total Revenue increased 22% over the same period in 2021.
- Software as a Service revenue increased 179% over the same period in 2021.
- As a percent of total revenue, SaaS revenue increased to 29% from 13% in 2021.
- Net Income of \$24,027, compared to \$1,357,951 for the same period in 2021.
 - 2021 included other income of \$845,083 for forgiveness of the PPP loan and interest, and \$141,414 in charges for change in fair value of earnout.
 - 2022 included \$87,652 of charges for change in fair value of earnout and \$355,281 of transaction costs.
- Adjusted EBITDA increased 41% to approximately \$2.4 million, compared to approximately \$1.7 million for the same period in 2021.

2022 Other Highlights

- On April 1, 2022 we completed the <u>acquisition of Yellow Folder, LLC</u>. This acquisition more than doubled software as a service (SaaS) revenue, added positive cash flow in 2022, and approximately doubled our customer count in the K-12 education market.
- Simultaneously with the acquisition, we completed \$8.7 million in equity and debt financing.
- SaaS revenues continue to be strong for 2022, growing 179% including the Yellow Folder acquisition and growing 34% organically.

| | For the years ended December 31, | | | |
|--------------------------------|--------------------------------------|----|------------|--|
| | 2022 | | 2021 | |
| Revenues: | | | | |
| Sale of software | \$ 159,084 | \$ | 78,450 | |
| Software as a service | 4,017,409 | | 1,441,683 | |
| Software maintenance services | 1,387,885 | | 1,350,470 | |
| Professional services | 7,357,937 | | 7,468,716 | |
| Storage and retrieval services | 1,094,613 | | 1,120,946 | |
| Total revenues | \$ 14,016,928 | \$ | 11,460,265 | |

James F. DeSocio, President & CEO of Intellinetics, stated, "This was a milestone year for Intellinetics, as we leveraged the successful acquisition of Yellow Folder and the benefits of our transition to a SaaS business model to achieve higher and sustainable profitability. We enter 2023 with great optimism and significant opportunities, poised to continue to grow both organically and inorganically. Revenue from SaaS continues to grow as a percent of our total revenue, and recurring revenue increased to 62% of total revenue from 53% in 2021 giving us improved visibility into our revenue and facilitating operating leverage."

Summary - 2022 Fourth Quarter Results

Revenues for the three months ended December 31, 2022 were \$4,038,146 as compared with \$2,744,038 for the same period in 2021. The increase was largely driven by our acquisition of Yellow Folder in April 2022 combined with organic growth. In addition to our acquisition growth, our SaaS and software maintenance revenues continued to grow. Intellinetics reported net income of \$200,784 and \$26,295 for the three months ended December 31, 2022 and 2021, respectively, representing an improvement of \$174,489. The improvement in results was further enhanced by favorable comparison in earnout fair value operating expenses. Basic and diluted net income per share for the three months ended December 31, 2022 was \$0.05 and \$0.04, respectively. Basic and diluted net loss per share for the three months ended December 31, 2021 was \$0.01. Our adjusted EBITDA improved year over year by \$353,216, which was driven by improved operations and demonstrates the value of the 2022 acquisition.

Summary - 2022 12-Month Results

Revenues for the 12 months ended December 31, 2022 were \$14,016,928 as compared with \$11,460,265 for the same period in 2021. The increase was largely driven by the acquisition of Yellow Folder in April 2022 combined with organic growth. We reported net income of \$24,027, or \$0.01 per basic and diluted share, for the 12 months ended December 31, 2022 compared to net income of \$1.4 million, or \$0.48 per basic share and \$0.44 per diluted share, for the same period in 2021. Major impact items included a \$845,000 gain on extinguishment of debt related to the PPP loan in 2021, as well as transaction costs of \$355,281 in 2022 (compared to none in the same period in 2021), incurred in support of our acquisition on April 1, 2022. The 12 months ended December 31, 2022 included an increase in Adjusted EBITDA of 41% to \$2.4 million, compared to \$1.7 million from the same period in 2021.

2023 Outlook

Based on management's current plans and assumptions, the Company expects to continue to grow revenues and Adjusted EBITDA on a year-over-year basis for 2023.

Conference Call

Intellinetics is holding a conference call to discuss these results on Monday, March 27, 2023, at 4:30 p.m. Eastern Time. The conference call can be accessed by dialing (877) 407-8133 (toll-free) or (201) 689-8040. If you are unable to participate during the live call, a replay of the conference call will be available approximately three hours after the completion of the call through April 10, 2023. The replay of the call can be accessed via phone by dialing (877) 660-6853 (toll-free) or (201) 612-7415 and using replay access code 13737111.

About Intellinetics, Inc.

Intellinetics, Inc. (NYSE American: INLX) is enabling the digital transformation. Intellinetics empowers organizations to manage, store and protect their important documents and data. The Company's flagship solution, the IntelliCloudTM content management platform, delivers advanced security, compliance, workflow and collaboration features critical for highly regulated, risk-intensive markets. IntelliCloud connects documents to users and the processes they support anytime, anywhere to accelerate innovation and empower organizations to think and work in new ways. In addition, Intellinetics offers business process outsourcing (BPO), document and micrographics scanning services, and records storage. From highly regulated industries like Healthcare/Human Service Providers, K-12, Public Safety, and State and Local Governments, to businesses looking to move away from paper-based processes, Intellinetics is the all-in-one, compliant, document management solution. Intellinetics is headquartered in Columbus, Ohio. For additional information, please visit <u>www.intellinetics.com</u>.

Cautionary Statement

Statements in this press release which are not purely historical, including statements regarding future business and growth, future revenues, including 2023 revenues, outlook, and future revenue streams from new and existing customers, sustainable profitability, continued growth of SaaS revenue, future cash flow, cross-selling efforts and other synergies associated with our acquisition of Yellow Folder and the success of our integration efforts; revenue consistency, growth and long-term value, including trends in revenue growth and mix; growth of software as a service, professional services, and maintenance revenue; market penetration; execution of Intellinetics' business plan, strategy, direction and focus; and other intentions, beliefs, expectations, representations, projections, plans or strategies regarding future growth, financial results, and other future events are forward-looking statements. The forward-looking statements involve risks and uncertainties including, but not limited to, the risks associated with the effect of changing economic conditions including inflationary pressures, the impact of COVID-19 and related governmental actions and orders on customers, suppliers, employees and the economy and our industry, Intellinetics' ability to execute on its business plan and strategy, customary risks attendant to acquisitions, including human services, health care, and education, technical development risks, and other risks, uncertainties and other factors discussed from time to time in its reports filed with or furnished to the Securities and to place undue reliance on the forward-looking statements contained in this press release. Intellinetics disclaims any obligation and does not undertake to update or revise any forward-looking statements in this press release. Expanded and historical information is made available to the public by Intellinetics on its website at <u>www.intellinetics.com</u> or at <u>www.sec.gov</u>.

CONTACT:

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Joe Spain, CFO Intellinetics, Inc. 614.921.8170 <u>investors@intellinetics.com</u>

Non-GAAP Financial Measures

Intellinetics uses non-GAAP Adjusted EBITDA as supplemental measures of our performance that are not required by, or presented in accordance with, accounting principles generally accepted in the United States (GAAP). A non-GAAP financial measure is a numerical measure of a company's financial performance that excludes or includes amounts so as to be different from the most directly comparable measure calculated and presented in accordance with GAAP in the statement of income, balance sheet or statement of cash flows of a company.

Adjusted EBITDA: Adjusted EBITDA is not a measurement of financial performance under GAAP and should not be considered as an alternative to net income, operating income, or any other performance measure derived in accordance with GAAP, or as an alternative to cash flow from operating activities or a measure of our liquidity. Intellinetics urges investors to review the reconciliation of non-GAAP Adjusted EBITDA to the comparable GAAP Net Loss, which is included in this press release, and not to rely on any single financial measure to evaluate Intellinetics' financial performance.

We believe that Adjusted EBITDA is a useful performance measure and is used by us to facilitate a comparison of our operating performance on a consistent basis from periodto-period and to provide for a more complete understanding of factors and trends affecting our business than measures under GAAP can provide alone. We define "Adjusted EBITDA" as earnings before interest expense, any income taxes, depreciation and amortization expense, stock-based compensation, note conversion and note or equity offer warrant or stock expense, gain or loss on debt extinguishment, change in fair value of contingent consideration, and transaction costs.

Reconciliation of Net Income to Adjusted EBITDA

| | Η | For the Three Months Ended December 31, | | | |
|---|-----------|---|--------------|--|--|
| | | 2022 | 2021 | | |
| Net income - GAAP | \$ | 200,784 \$ | 26,295 | | |
| Interest expense, net | | 209,758 | 112,775 | | |
| Depreciation and amortization | | 218,947 | 111,693 | | |
| Change in fair value of earnout liabilities | | (57,347) | 64,203 | | |
| č | | 118,999 | 22,959 | | |
| Stock-based compensation | | ŕ | | | |
| Adjusted EBITDA | <u>\$</u> | 691,141 \$ | 337,925 | | |
| | F | or the Twelve months Ended | December 31, | | |
| | | 2022 | 2021 | | |
| Net income - GAAP | \$ | 24,027 \$ | 1,357,951 | | |
| Interest expense, net | | 803,294 | 452,120 | | |
| Depreciation and amortization | | 722,197 | 413,932 | | |

| Transaction costs | 355,281 | - |
|---|--------------|--------------|
| Stock-based compensation | 421,450 | 149,753 |
| Change in fair value of earnout liabilities | 87,652 | 141,414 |
| Gain on extinguishment of debt | | (845,083) |
| Adjusted EBITDA | \$ 2,413,901 | \$ 1,670,087 |

Recurring Revenue: Recognized revenue for any applicable period that we characterize as being recurring in nature, without regard to contract start or end dates or renewal rates. It includes the following revenue types: SaaS subscription agreements, maintenance contracts related to perpetual software licenses, storage and retrieval services, and professional services revenues in the nature of business process outsourcing. It excludes revenues of a type that are not expected to recur, primarily perpetual licenses, most document conversion services, and other professional services that are project based. Recurring revenue is not determined by reference to deferred revenue, unbilled revenue, or any other GAAP financial measure over any period, so the Company has not reconciled the Recurring Revenues to any GAAP measure. Recurring revenue should not be extrapolated into a precise prediction of future revenues, because it does not take into account our contract start and end dates and our renewal rates. Management believes that reviewing this metric, in addition to GAAP results, helps investors and financial analysts understand the value of Intellinetics' recurring revenue streams versus prior periods.

Reconciliation of revenues to recurring revenues:

| | For the years ended December 31, | | | |
|---|----------------------------------|----|------------|--|
| | 2022 | | 2021 | |
| Revenues as reported: | | | | |
| Sale of software | \$ 159,084 | \$ | 78,450 | |
| Software as a service | 4,017,409 | | 1,441,683 | |
| Software maintenance services | 1,387,885 | | 1,350,470 | |
| Professional services | 7,357,937 | | 7,468,716 | |
| Storage and retrieval services | 1,094,613 | | 1,120,946 | |
| Total revenues | \$ 14,016,928 | \$ | 11,460,265 | |
| Revenues – recurring only: | | | | |
| Sale of software – recurring | \$- | | \$- | |
| Software as a service – recurring | 3,723,409 | | 1,267,683 | |
| Software maintenance services – recurring | 1,387,885 | | 1,350,470 | |
| Professional services – recurring | 2,685,208 | | 2,639,840 | |
| Storage and retrieval services – recurring | 884,653 | | 786,647 | |
| Total recurring revenues | \$ 8,681,155 | \$ | 6,044,640 | |
| Revenues – non-recurring only: | | | | |
| Sale of software – non-recurring only | \$ 159,084 | \$ | 78,450 | |
| Software as a service – non-recurring only ¹ | 294,000 | | 174,000 | |
| Software maintenance services - non-recurring only | - | | - | |
| Professional services – non-recurring only | 4,672,729 | | 4,828,876 | |
| Storage and retrieval services – non-recurring only | 209,960 | | 334,299 | |
| Total non-recurring revenues | \$ 5,335,773 | \$ | 5,415,625 | |
| Total recurring and non-recurring revenues | \$ 14,016,928 | \$ | 11,460,265 | |

Note 1 – Software as a service non-recurring revenue is comprised of professional services setup fees which are recognized ratably over the initial contract period. They do not renew, and are therefore non-recurring. Under ASC 606, they are deemed essential to the functionality of the subscription Software as a service, and are therefore recognized together with the subscription Software as a service revenue.

Total Contract Value: Estimated total future revenues from contracts signed during the period. This refers to contracts or projects that have been awarded by our customers, and it presumes the provision of all software, subscription services, and/or professional services, with no termination of any awarded contracts. There can be no guarantee that all work will be completed during any fiscal period, or that the contracts will not be terminated before all the estimated future revenues are earned, received, and/or recognized. Total Contract Value is a performance measure that the Company believes provides useful information to its management and investors as it allows the Company to better track the Company's current sales performance, without any adjustment to exclude revenues that will not be earned, received, or recognized until future periods. Total Contract Value is not all our revenue categories, including SaaS, perpetual software licenses, maintenance, storage and retrieval, and professional services, to new or existing customers. It excludes renewals (and price increases on renewals if any). Total Contract Value is not a substitute for total revenue. There is no GAAP measure that is comparable to Total Contract Value, so the Company has not reconciled the Total Contract Value to any GAAP measure.

INTELLINETICS, INC. and SUBSIDIARIES Consolidated Balance Sheets

| | Dee | December 31, 2022 | | December 31, 2021 |
|---|-----|----------------------|----|----------------------|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash | \$ | 2,696,481 | \$ | 1,752,630 |
| Accounts receivable, net | | 1,121,083 | | 1,176,059 |
| Accounts receivable, unbilled | | 596,410 | | 444,782 |
| Parts and supplies, net | | 73,221 | | 76,691 |
| Contract assets | | 80,378 | | 78,556 |
| Prepaid expenses and other current assets | | 325,466 | | 155,550 |

| Total current assets | 4,893,039 | 3,684,268 |
|--------------------------------|---------------|---------------|
| | | |
| Property and equipment, net | 1,068,706 | 1,091,780 |
| Right of use assets, operating | 3,200,191 | 3,841,612 |
| Right of use asset, finance | 154,282 | - |
| Intangible assets, net | 4,419,646 | 968,496 |
| Goodwill | 5,789,821 | 2,322,887 |
| Other assets | 417,457 | 53,089 |
| Total assets | \$ 19,943,142 | \$ 11,962,132 |

LIABILITIES AND STOCKHOLDERS' EQUITY

| Current liabilities: | | | | |
|--|----|--------------|----|--------------|
| Accounts payable | \$ | 370,300 | \$ | 181,521 |
| Accrued compensation | φ | 411,683 | φ | 343,576 |
| Accrued expenses | | 114,902 | | 161,862 |
| Lease liabilities, operating - current | | 692,074 | | 616,070 |
| Lease liability, finance - current | | 22,493 | | - |
| Deferred revenues | | 2,754,064 | | 1,194,649 |
| Deferred compensation | | - | | 100,828 |
| Earnout liabilities - current | | 700,000 | | 958,818 |
| Notes payable - current | | 936,966 | | - |
| Total current liabilities | | 6,002,482 | | 3,557,324 |
| Long-term liabilities: | | | | |
| Notes payable - net of current portion | | 2,085,035 | | 1,754,527 |
| Notes payable - related party | | 529,084 | | - |
| Lease liabilities, operating - net of current portion | | 2,624,608 | | 3,316,682 |
| Lease liability, finance - net of current portion | | 133,131 | | - |
| Earnout liabilities - net of current portion | | - | | 671,863 |
| Total long-term liabilities | | 5,371,858 | | 5,743,072 |
| Total liabilities | | 11,374,340 | | 9,300,396 |
| Stockholders' equity: | | | | |
| Common stock, \$0.001 par value, 25,000,000 shares authorized; 4,073,757 and 2,823,072 shares issued | | | | |
| and outstanding at December 31, 2022 and 2021, respectively | | 4,074 | | 2,823 |
| Additional paid-in capital | | 30,179,017 | | 24,297,229 |
| Accumulated deficit | | (21,614,289) | | (21,638,316) |
| Total stockholders' equity | - | 8,568,802 | | 2,661,736 |
| Total liabilities and stockholders' equity | \$ | 19,943,142 | \$ | 11,962,132 |

INTELLINETICS, INC. and SUBSIDIARIES Consolidated Statements of Operations

| | For the Twelve Months Ended December 31, | | |
|---|---|----|------------|
| | 2022 | | 2021 |
| Revenues: | | | |
| Sale of software | \$ 159,084 | \$ | 78,450 |
| Software as a service | 4,017,409 | | 1,441,683 |
| Software maintenance services | 1,387,885 | | 1,350,470 |
| Professional services | 7,357,937 | | 7,468,716 |
| Storage and retrieval services | 1,094,613 | | 1,120,946 |
| Total revenues | 14,016,928 | | 11,460,265 |
| Cost of revenues: | | | |
| Sale of software | 64,577 | | 14,828 |
| Software as a service | 701,433 | | 333,001 |
| Software maintenance services | 79,738 | | 81,641 |
| Professional services | 3,908,205 | | 3,709,348 |
| Storage and retrieval services | 353,817 | | 378,465 |
| Total cost of revenues | 5,107,770 | | 4,517,283 |
| Gross profit | 8,909,158 | | 6,942,982 |
| Operating expenses: | | | |
| General and administrative | 4,945,214 | | 4,044,296 |
| Change in fair value of earnout liabilities | 87,652 | | 141,414 |
| Transaction costs | 355,281 | | - |
| Sales and marketing | 1,971,493 | | 1,378,352 |
| Depreciation and amortization | 722,197 | | 413,932 |
| Total operating expenses | 8,081,837 | | 5,977,994 |
| Income from operations | 827,321 | | 964,988 |

Other (expense) income

| Gain on extinguishment of debt | - | 845,083 |
|--|---------------|-----------------|
| Interest expense | (803,294) | (452,120) |
| | | |
| Total other (expense) income, net | (803,294) | 392,963 |
| | | |
| Income before income taxes | 24,027 | 1,357,951 |
| | | |
| Net income | \$ 24,027 | \$ 1,357,951 |
| | | |
| Basic net income per share: | \$ 0.01 | \$ 0.48 |
| Diluted net income per share: | \$ 0.01 | \$ 0.44 |
| | | |
| Weighted average number of common shares outstanding - basic | 3,767,299 | 2,822,972 |
| Weighted average number of common shares outstanding - diluted | 4,295,817 | 3,104,820 |
| | | |

INTELLINETICS, INC. and SUBSIDIARIES Consolidated Statements of Cash Flows

| 2022 2021 Cash Hows from operating activities: Note income \$ 24,027 \$ 1,357,951 Adjustments to reconcile net income to net aub provided by operating activities: 722,197 44,1302 11,137,951 Bad dobt capense (recovery) 42,129 11,137,951 42,129 11,137,951 Data dobt capense (recovery) 42,129 11,137,951 9,133 102,400 106,410,410 106,40 | | For the Twelve Months Ended December 31, | | | Ended |
|--|---|---|---------------------------------------|----|-----------|
| S 24.027 S 1,557,951 Adjustments to reconcile net income to net cash provided by operating activities: 722,197 413,932 Depreciation and amorization 42,129 (11,187) Loss on disposed of freed assets 24,473 | | | | | 2021 |
| S 24.027 S 1,537,551 Adjustmets to recordel per income to ret cash provided by operating activities: 722,197 413,502 Depreciation and amorization 42,219 (11,113,502 Parts and supplies receive change 24,473 | Cash flows from operating activities: | | | | |
| Adjustments to reconcile net income to net cash provided by operating activities: 72,197 413,92 Bid debt expense (recovery) 42,129 (11,187 Loss on dirposit of fixed assets 24,473 - Anortzation of debt discount 102,400 106,666 Might of us asset, uperating 611,411 655,669 Anortzation of debt discount 614,621 655,690 Anortzation of right of us asset, finance 37,509 57,500 Anortzation of right of us asset, finance 37,509 57,500 Change in fire values of anorus liabilities: - (885,083 Change in fire value of anorus liabilities: 81,227 (37,249 Accounts receivable, unbilled (11,028) 78,740 Change in fire value of anorus liabilities: 81,227 (37,249 Accounts receivable, unbilled (11,028) 78,740 Change in fire value of anorus line values (13,028) 74,742 Accounts provide and accuted sequess (173,450 (14,18,75 Change in fire value of anorus line values (16,070) (616,070) Lesse Linbities: <t< td=""><td>1 0</td><td>S</td><td>24.027</td><td>\$</td><td>1.357.951</td></t<> | 1 0 | S | 24.027 | \$ | 1.357.951 |
| Depreciation and amorization 72,197 413.922 Description 42,129 (11,187) Loss on disposal of fixed assets 24,473 - Parts and supplies reserve change - 9000 Amorization of defered financing cots 216,381 103,799 Amorization of defered financing cots 216,381 103,799 Amorization of defered financing cots 216,381 103,799 Amorization of defered financing cots 910,400 106,660 Nonticition of services 57,500 57,500 Stock option compensation 363,959 92,2353 Cianges in operating assets and libitides: 87,270 (37,2492 Accounts receivable 81,227 (37,2492 Accounts receivable, unbilled (51,628) 7,87,40 Canages in operation assets and libitides: 34,70 (53,97) Accounts receivable, unbilled (16,677) (61,828) Defered compensation (106,929) - Accounts receivable woment and long-term (16,677) (61,828) Defered compensation (106, | | Ť | , | + | -,,,, |
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| Loss on disposal of fixed assets 24,473 - 9,000 Amorization of defered financing costs 216,381 103,79 9,000 Amorization of debet discount 102,400 106,666 Right of use asset, operating 641,421 655,69 Amorization of fight of use asset, finance 6,708 - (445,03) 92,253 Gain on extinguishment of debt 87,652 141,414 - (41,421) (35,49) 92,253 Gain on extinguishment of debt (81,633) 78,490 - (48,083) 78,490 - (43,033) 78,490 - (43,033) 78,490 - (43,033) 78,490 - - (43,033) 78,490 - - (44,033) 78,490 - - (44,033) 78,490 - - - - - - 42,623 - | | | | | , |
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| Offering costs paid on issuance of common stock and notes(746,342)Proceeds from notes payable2,364,500Proceeds from notes payable - related parties600,000Principal portion of finance lease liability(5,366)Repayment of notes payable(1,019,550)Net cash provided by (used in) financing activities5,915,667Vert cash provided by (used in) financing activities943,851Net increase (decrease) in cash943,851Net increase (decrease) in cash943,851Supplemental disclosure of cash flow information:1,752,630Cash - end of period\$Cash paid during the period for interest\$Cash paid during the period for interest\$Supplemental disclosure of non-cash financing activities:\$Supplemental disclosure of non-cash financing activities:\$Discount on notes payable for warrants\$Supplemental disclosure of non-cash financing activities:\$Discount on notes payable for warrants\$Supplemental disclosure of non-cash financing activities:\$Discount on notes payable for warrants\$Supplemental disclosure of non-cash financing activities:\$Discount on notes payable for warrants\$Supplemental disclosure of non-cash financing activities:\$Discount on notes payable for warrants\$Supplemental disclosure of non-cash financing activities:\$Discount on notes payable for warrants\$Supplemental disclosure of non-cash financing activities:Discount on not | | | | | (954,733) |
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| Proceeds from notes payable - related parties600,000Principal portion of finance lease liability(5,366)Repayment of notes payable(1,019,550)Net cash provided by (used in) financing activities5,915,667Net increase (decrease) in cash943,851Cash - beginning of period1,752,630Cash - end of period1,752,630Supplemental disclosure of cash flow information:Cash paid during the period for interest\$ 496,805Cash paid during the period for interest\$ 496,805Supplemental disclosure of non-cash financing activities:Discount on notes payable for warrants\$ 169,900Supplemental disclosure of non-cash financing activities:Discount on notes payable for warrants\$ 169,900 | | | | | - |
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| Repayment of notes payable(1,019,550)Net cash provided by (used in) financing activities5,915,667(954,733Net increase (decrease) in cash943,851(155,252Cash - beginning of period1,752,6301,907,882Cash - end of period\$2,696,481\$Supplemental disclosure of cash flow information: Cash paid during the period for income taxes\$496,805\$Supplemental disclosure of non-cash financing activities: Discount on notes payable for warrants\$169,900\$ | Proceeds from notes payable - related parties | | , | | - |
| Net cash provided by (used in) financing activities5,915,667(954,733Net increase (decrease) in cash943,851(155,252Cash - beginning of period1,752,6301,907,882Cash - end of period\$2,696,481\$Supplemental disclosure of cash flow information: Cash paid during the period for income taxes\$496,805\$Supplemental disclosure of non-cash financing activities: Discount on notes payable for warrants\$169,900\$ | | | | | - |
| Net increase (decrease) in cash 943,851 (155,252 Cash - beginning of period 1,752,630 1,907,882 Cash - end of period \$ 2,696,481 \$ Supplemental disclosure of cash flow information: \$ 496,805 \$ 242,545 Cash paid during the period for income taxes \$ 12,888 \$ 4,595 Supplemental disclosure of non-cash financing activities: \$ 169,900 \$ - | | | | | - |
| Cash - beginning of period1,752,6301,907,882Cash - end of period\$2,696,481\$Supplemental disclosure of cash flow information: Cash paid during the period for interest\$496,805\$Cash paid during the period for income taxes\$12,888\$Supplemental disclosure of non-cash financing activities: Discount on notes payable for warrants\$169,900\$ | Net cash provided by (used in) financing activities | | 5,915,667 | | (954,733) |
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| Cash - end of period \$ 2,696,481 \$ 1,752,630 Supplemental disclosure of cash flow information: \$ 496,805 \$ 242,545 Cash paid during the period for interest \$ 12,888 \$ 4,595 Supplemental disclosure of non-cash financing activities: \$ 169,900 \$ - | | | | | |
| Cash paid during the period for interest \$ 496,805 \$ 242,545 Cash paid during the period for income taxes \$ 12,888 \$ 4,595 Supplemental disclosure of non-cash financing activities: 5 169,900 \$ - | | \$ | | \$ | 1,752,630 |
| Cash paid during the period for interest \$ 496,805 \$ 242,545 Cash paid during the period for income taxes \$ 12,888 \$ 4,595 Supplemental disclosure of non-cash financing activities: 5 169,900 \$ - | Sumplemental diselecture of each flow information: | | | | |
| Cash paid during the period for income taxes § 12,888 § 4,595 Supplemental disclosure of non-cash financing activities: Discount on notes payable for warrants \$ 169,900 \$ - | | ¢ | 106 805 | ¢ | 242 545 |
| Supplemental disclosure of non-cash financing activities: Discount on notes payable for warrants Supplemental disclosure of non-cash financing activities: | | | | | |
| Discount on notes payable for warrants \$ 169,900 \$ - | Cash paid during the period for income taxes | \$ | 12,888 | \$ | 4,595 |
| Discount on notes payable for warrants \$ 169,900 \$ - | Supplemental disclosure of non-cash financing activities: | | | | |
| | | \$ | 169,900 | \$ | - |
| | Discount on notes payable - related parties for warrants | | 43,113 | | - |

| Right-of-use asset obtained in exchange for operating lease liability | - | 1,836,256 |
|---|-----------------|-----------|
| Right-of-use asset obtained in exchange for finance lease liability | 160,990 | - |
| | | |
| Supplemental disclosure of non-cash investing activities relating to business acquisitions: | | |
| Accounts receivable | \$ 68,380 | \$ - |
| Prepaid expenses | 38,913 | - |
| Property and equipment | 30,018 | - |
| Intangible assets | 3,888,000 | - |
| Goodwill | 3,466,934 | - |
| Accounts payable | (36,446) | - |
| Deferred revenues | (1,072,530) | - |
| Net assets acquired in acquisition | 6,383,269 | - |
| Cash used in business acquisition | \$ 6,383,269 | \$ - |
| | | |