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

FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2024

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 001-41495

INTELLINETICS, INC.

(Exact name of registrant as specified in its charter)

Nevada (State or other jurisdiction of incorporation or organization)	87-0613716 (I.R.S. Employer Identification No.)

2190 Dividend Drive
Columbus, Ohio 43228
(Address of principal executive offices)

(614) 921-8170
(Registrant's telephone number, including area code)

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

Title of each class	Trading symbol	Name of each exchange on which registered
Common Stock, par value $0.001 per share	INLX	NYSE American

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☒
		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. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. $17,355,181.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. **4,259,276 shares of common stock, par value $0.001 per share, were outstanding as of March 19, 2025.**

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for the 2025 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission no later than 120 days after the close of the registrant's fiscal year ended December 31, 2024, are incorporated by reference in Part III hereof.

TABLE OF CONTENTS

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K and the documents incorporated into this report by reference contain, and we may from time to time make, forward-looking statements. From time to time in the future, we may make additional forward-looking statements in presentations, at conferences, in press releases, in other reports and filings and otherwise. Forward-looking statements are all statements other than statements of historical facts, including statements that refer to plans, intentions, objectives, goals, targets, strategies, hopes, beliefs, projections, prospects, expectations or other characterizations of future events or performance, and assumptions underlying the foregoing. The words "may," "could," "should," "would," "will," "project," "intend," "continue," "believe," "anticipate," "estimate," "forecast," "expect," "plan," "potential," "opportunity," "scheduled," "goal," "target," and "future," variations of such words, and other comparable terminology and similar expressions and references to future periods are often, but not always, used to identify forward-looking statements. Examples of forward-looking statements include, among other things, statements about the following:

- the effects on our business, financial condition and results of operations of current and future economic, business, market and regulatory conditions, including the current global inflation, economic instability, and other economic and market conditions, and their effects on our customers and their capital spending and ability to finance purchases of our products, services, technologies and systems;
- our prospects, including our future business, revenues, recurring revenues, expenses, net income, earnings per share, margins, profitability, cash flow, cash position, liquidity, financial condition and results of operations, backlog of orders and revenue, our targeted growth rate, our goals for future revenues and earnings, and our expectations about realizing the revenues in our backlog and in our sales pipeline;
- our expectation that the shift from an offline to online world will continue to benefit our business;
- our ability to integrate our recent acquisitions and any future acquisitions, grow their businesses and obtain the expected financial and operational benefits from those businesses;
- the effects of fluctuations in sales on our business, revenues, expenses, net income, earnings per share, margins, profitability, cash flow, capital expenditures, liquidity, financial condition and results of operations;
- our products, services, technologies and systems, including their quality and performance in absolute terms and as compared to competitive alternatives, their benefits to our customers and their ability to meet our customers' requirements, and our ability to successfully develop and market new products, services, technologies and systems;
- our markets, including our market position and our market share;
- our ability to successfully develop, operate, grow and diversify our operations and businesses;
- our business plans, strategies, goals and objectives, and our ability to successfully achieve them;
- the sufficiency of our capital resources, including our cash and cash equivalents, funds generated from operations, availability credit and financing arrangements and other capital resources, to meet our future working capital, capital expenditure, lease and debt service and business growth needs;
- the value of our assets and businesses, including the revenues, profits and cash flow they are capable of delivering in the future;
- the amount and timing of revenue recognition from customer contracts with commitments for performance obligations, including our estimate of the remaining amount of commitments and when we expect to recognize revenues;
- industry trends and customer preferences and the demand for our products, services, technologies and systems; and
- the nature and intensity of our competition, and our ability to successfully compete in our markets.

Any forward-looking statements we make are based on our current plans, intentions, objectives, strategies, projections and expectations, as well as assumptions made by and information currently available to management. Forward-looking statements are not guarantees of future performance or events, but are subject to and qualified by substantial risks, uncertainties and other factors, which are difficult to predict and are often beyond our control. Forward-looking statements will be affected by assumptions and expectations we might make that do not materialize or that prove to be incorrect and by known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those expressed, anticipated or implied by such forward-looking statements. These risks, uncertainties and other factors include, but are not limited to, those described in "Risk Factors" as well as other risks, uncertainties and factors discussed elsewhere in this report, in documents that we include as exhibits to or incorporate by reference in this report, and in other reports and documents we from time to time file with or furnish to the Securities and Exchange Commission (the "SEC"). In light of these risks and uncertainties, you are cautioned not to place undue reliance on any forward-looking statements that we make.

Any forward-looking statements contained in this report speak only as of the date of this report, and any other forward-looking statements we make from time to time in the future speak only as of the date they are made. We undertake no duty or obligation to update or revise any forward-looking statement or to publicly disclose any update or revision for any reason, whether as a result of changes in our expectations or the underlying assumptions, the receipt of new information, the occurrence of future or unanticipated events, circumstances or conditions or otherwise.

As used in this Annual Report, unless the context indicates otherwise:

- the terms "Intellinetics," "Company," "the company," "us," "we," "our," and similar terms refer to Intellinetics, Inc., a Nevada corporation, and its subsidiaries;
- "Intellinetics Ohio" refers to Intellinetics, Inc., an Ohio corporation and a wholly-owned subsidiary of Intellinetics;
- "Graphic Sciences" refers to Graphic Sciences, Inc., a Michigan corporation and a wholly-owned subsidiary of Intellinetics;
- "Yellow Folder" refers to Yellow Folder, LLC, a Texas limited liability company, the assets of which were acquired by Intellinetics; and
- "CEO Image" refers to CEO Imaging Systems, Inc., a Michigan corporation, the assets of which were acquired by Intellinetics.

PART I

ITEM 1. BUSINESS

Company Overview

Intellinetics is a Nevada holding company incorporated in 1997, with two wholly-owned subsidiaries: (i) Intellinetics Ohio and (ii) Graphic Sciences. Intellinetics Ohio was incorporated in 1996, and on February 10, 2012, Intellinetics Ohio became the sole operating subsidiary of Intellinetics as a result of a reverse merger and recapitalization. On March 2, 2020, Intellinetics purchased Graphic Sciences, Inc.

We are a document services and software solutions company serving both the small-to-medium business and governmental sectors with their digital transformation and process automation initiatives. Our digital transformation products and services are provided through two reporting segments: Document Management and Document Conversion. Our Document Management segment consists primarily of solutions involving our software platform, allowing customers to capture and manage their documents across operations such as scanned hard-copy documents and digital documents including those from Microsoft Office 365, digital images, audio, video and emails. Our Document Conversion segment provides assistance to customers as a part of their overall document strategy to convert documents from one medium to another, predominantly paper to digital, including migration to our software solutions, as well as micrographics conversions and long-term storage and retrieval services. Our solutions create value for customers by making it easy to connect business-critical documents to the people who need them by making those documents easy to find and access, while also being secure and compliant with the customers' audit requirements. Solutions are sold both directly to end-users and through resellers.

Our customers use our software by one of two methods: purchasing our software and installing it onto their own equipment, which we refer to as a "premise" model, or licensing and accessing our platform via the Internet, which we refer to as a "software as a service" or "SaaS" model and also as a "cloud-based" model. Licensing of our software through our SaaS model has become increasingly popular among our customers, especially in light of the increased deployment of remote workforce policies, and is a key ingredient in our revenue growth strategy. Our SaaS products are hosted with Amazon Web Services, Expedient, and Corespace, providing our customers with reliable hosting services that we believe are consistent with industry best practices in data security and performance.

We operate a U.S.-based business with concentrated sales to the State of Michigan for our Document Conversion segment, complemented by our diverse set of document management software solutions and services. We hold or compete for leading positions regionally in select markets and attribute this leadership to several factors including the strength of our brand name and reputation, our comprehensive offering of innovative solutions, and the quality of our service support. Net growth in sales of software as a service in recent years reflects market demand for these solutions over traditional sales of on-premise software. We expect to continue to benefit from our select niche leadership market positions, innovative product offerings, growing customer base, and the impact of our increased spending in sales and marketing programs. Examples of these programs include identifying and investing in growth and expanded market penetration opportunities, more effective products and services pricing strategies, demonstrating superior value to customers, increasing our sales force effectiveness through improved guidance and measurement, and continuing to optimize our lead generation and lead nurturing processes.

Software and Services

Document Management

Our flagship software platforms include a) IntelliCloud™ Payables Automation Solutions, b) IntelliCloud™ content management, and c) YellowFolder™, a specialized content management software solution for the K-12 education market. These platforms reflect our focus, and the market's focus, on growth via cloud-based content management and process automation. Our Document Management business also generates software-related professional services that include installation, integration, training, and consulting services, as well as ongoing software maintenance and customer support.

The IntelliCloud™ suite of software is comprised of stand-alone and integrated modules that include:

- Image Processing: includes image processing modules used for capturing, transforming and managing images of paper documents, including support of distributed and high-volume capture, optical character recognition;

- Accounts Payable lifecycle automation, including advanced capture for invoice processing.

- Records Management: addresses needs relating to retention of content through automation and policies, ensuring legal, regulatory and industry compliance for our clients;

- Workflow: supports business processes, routing content electronically for assigning work tasks and approvals, and creating related audit trails, notifications, and escalations; and

- Extended Components: includes document composition and e-forms (via third party OEM integration partnership), search, content and web analytics (via third party data visualization and advanced OCR engine partnerships), email and information archiving, and packaged application integration.

Document Conversion

We convert images from paper to digital, paper to microfilm, microfiche to microfilm, and micrographics to digital for businesses and state, county, and municipal governments. Our Document Conversion business also provides its clients with long-term paper and microfilm storage and retrieval options.

The primary Document Conversion offerings are:

- Digital Scanning Services. These services include paper scanning, as well as special scanning such as newspaper, aperture card, drawing, and book scanning, including large format. Most government files must be retained for long terms or permanently, making such clients a prime candidate for digital conversion. There are four production categories for these services, consisting of document prep, scanning, indexing, and delivery.

- Business Process Outsourcing (BPO). BPO contracts provide ongoing outsourcing of customer processes such as mail room activities, where we pick up customer mail from the post office, open it, sort it, scan it, and upload it to the appropriate customer system.

- Micrographics. We provide microfilm/microfiche conversion to digital, converting scanned images to microfilm or microfiche, and microfilm/microfiche preservation and duplication.

- Box Storage Services. We provide physical document storage and retrieval services for our clients.

Marketing and Sales

We have a multi-channel sales model that directs our sales efforts through direct sales and through intermediaries, such as independent software vendors, resellers and referral partners. Our Document Management and Document Conversion segments each use direct and reseller channels for sales. We have developed partner-specific marketing programs with channel partners. We believe that our channel partner strategy improvements have increased the competitive strength of our platform of products. In addition, we have established a set of business solutions templates for specific vertical markets that provide base software configurations which we believe will facilitate our delivery and installation of software to our customers in both our direct and reseller channels. We believe that these advancements, in the aggregate, will allow us to license and sell our products to a targeted customer base, shortening our sales cycle, making margins more consistent, and allowing us to expand our sales through existing and new reseller partnerships and direct customers. We continue to devote significant efforts, in both development and marketing, in enhancing all channels to market.

Competition and Market Position

The market for our products is competitive, and we expect that competition will continue to intensify as the document solutions markets evolve and potentially consolidate. We believe that the trend toward electronic document management, and particularly cloud solutions, which was accelerated by the COVID-19 pandemic and subsequent increased prevalence of remote or hybrid workforces, has not diminished with several industries recently implementing ‘return to work’ programs.

We believe the primary competitors of our Document Management segment, including payables automation, are Stampli, Nexus, DocuWare, M-files, On-Base, FileBound, Frontline, Laserfiche, Square 9, and Harvest Technology Group, who also serve small-to-medium business (SMB), K-12 education, and governmental sectors. The principal competitive factors affecting the market for our solutions and services include: (i) vendor and product reputation; (ii) product quality, performance and price; (iii) the availability of software products on multiple platforms; (iv) product scalability; (v) product integration with other enterprise applications; (vi) software functionality and features; (vii) software ease of use; (viii) the quality of professional services, customer support services and training; and (ix) the ability to address specific customer business problems. We believe that the relative importance of each of these factors depends upon the concerns and needs of each specific customer.

We believe the competitors of our Document Conversion segment vary from local niche entities to larger entities, including Iron Mountain. The principal competitive factors affecting the market for our software products and services include: (i) vendor and services reputation and (ii) services quality, performance and price. We believe that the relative importance of each of these factors depends upon the concerns and needs of each specific customer, and that, for our current and prospective customers, maintaining secure control over the customers’ information is highly valued.

We believe that the consolidated Company has advantages over our competitors in the small-to-medium business market, and particularly organizations in highly regulated, risk and compliance-intensive markets, such as state and local government, non-clinical health care, and K-12 education. In our view, we will remain competitive by remaining a focused niche provider with product offerings aligned with buyer-specific requirements. We anticipate that we will benefit from five specific advantages already in place:

- Advanced cloud and premise digital transformation software and services;

- Expanded IntelliCloud software integration tools for independent software vendors to integrate into their ERP solutions and sell into their customer base;

- Modular solution and services that enable rapid customer activation model;

- Integrated on-demand solutions library as standard platform feature; and

- Expanded software integration tools that make it easier for independent software vendors to integrate and sell IntelliCloud software capabilities into their customer base.

We believe, with these competitive strengths, that we are well positioned as a cloud-based managed document services provider for the small-to-medium business and governmental sectors.

Customers

Document Management

Our Document Management segment has relatively low customer concentration. For 2024 and 2023, the two largest customers of our Document Management segment accounted for approximately 7% and 2%, respectively, of the segment’s revenues for that period.

For the years ended December 31, 2024, and 2023, government contracts, including K-12 education, represented approximately 78% and 84%, respectively, of the Document Management segment’s net revenues, including a significant portion of the segment’s sales to resellers which represent ultimate sales to government agencies. Due to their dependence on state, local and federal budgets, government contracts carry short terms, typically 12 months. Since our inception, our contracts with government customers have generally renewed on the original terms and conditions upon expiration.

Document Conversion

Our Document Conversion segment has significant customer concentration with the State of Michigan. Graphic Sciences' initial form of the current contract with the State of Michigan was won in 2007 and currently is in its extension period beyond the five years from June 1, 2018 to May 30, 2023, which extended the contract to May 30, 2025. We are currently participating in a competitive bidding process to renew this contract as of the date of this Report. The contract is issued to Graphic Sciences through the Michigan Department of Management and Budget, Enterprise Procurement and managed through the Department of Management and Budget, Records Management Services Division (RMS).

The contract provides local and state government agencies access to digital and micrographic conversion services. These agencies have the option to perform these conversion services internally or go out to bid if they so choose.

All Michigan agencies and departments are able to use the services and prices provided under this contract. Mechanically, the work we perform is invoiced to RMS and the end user is invoiced through the State of Michigan accounting system. We do not invoice the end user directly when entities utilize this contract facility, and we have a single point of contact for managing billing and receipt. The state in effect acts as a reseller of our services to the other agencies and makes a mark-up of what is charged. For 2024, the State of Michigan represented approximately 69% of our Document Conversion segment's net revenues, and 40% of the total consolidated revenues. Our second largest customer in 2024 was our reseller Applied Innovation, representing 7% of our Document Conversion segment's net revenues and 4% of the total consolidated revenues. For 2023, the State of Michigan represented approximately 62% of our Document Conversion segment's net revenues, and 35% of the total consolidated revenues. Our second largest customer in 2023 was Rocket Mortgage, representing 9% of our Document Conversion segment's net revenues and 5% of the total consolidated revenues.

Intellectual Property

Our software and most of the underlying technologies are built on a Microsoft.Net framework. We rely on a combination of copyright, trademark laws, non-disclosure agreements and other contractual provisions to establish and maintain our proprietary intellectual property rights.

Customers license the right to use our software products on a non-exclusive basis. We grant to third parties rights in our intellectual property that allow them to market certain of our products on a non-exclusive or limited-scope exclusive basis for a particular application of the product or to a particular geographic area.

While we believe that our intellectual property as a whole is valuable and our ability to maintain and protect our intellectual property rights is important to our success, we also believe that our business as a whole is not materially dependent on any particular trademark, license, or other intellectual property right.

Software Development

We design, develop, test, market, license, and support new software products and enhancements of current products. We continuously monitor our software products and enhancements to remain compatible with standard platforms and file formats. We discuss our accounting for such costs, and when we expense or capitalize, in more detail below in "Critical Accounting Policies and Estimates."

Government Regulation

Other than government procurement rules affecting sales to governmental customers and data privacy laws applicable to all businesses, we do not believe that we are subject to any special governmental regulations or approval requirements affecting our products or services. Complying with the regulations and requirements applicable to our business does not entail a significant cost or burden. We believe that we are in compliance in all material respects with all applicable governmental regulations.

Human Capital

As of March 19, 2024, we employed a total of 153 individuals; all but 17 are full-time employees. Of those, Graphic Sciences employs 97 individuals, comprised of 89 full-time and 8 part-time employees, primarily located in Michigan. Graphic Sciences also utilizes temporary employees, through various agencies, to provide labor for variable project work. Intellinetics Ohio employs 53 individuals, comprised of 44 full-time and 9 part-time employees, primarily located in Ohio and Texas. As a combined company, 19 of our employees work in administration and management, 42 of our employees work in software sales, maintenance and support, and software development, and 92 of our employees work in document services and storage operations.

We consider the integrity, experience, dedication, creativity, and team-oriented nature of our employees to be an essential driver of our business and a key to our future prospects. Personal relationships with our existing customers are an important part of our business, and our customers have come to rely on the personal service and knowledge of our workforce across all functional areas. To attract and retain qualified applicants to our company and retain our employees, we offer total benefits packages consisting of base salary or hourly wage (depending on position), a comprehensive benefits package, and equity compensation for certain employees. Annual cash bonuses are based on our profitability, achievement of targets, and level of responsibility. When selecting talent, we consider education, experience, diversity, and the likelihood that a candidate will espouse our values of integrity, collaboration, dedication, creativity, and superior customer service.

We are committed to fostering a diverse and inclusive workforce that attracts and retains exceptional talent. In addition, we pride ourselves on an open culture that respects co-workers, values employees' health and well-being and fosters professional development. We support employee growth and development in a variety of ways including with training opportunities and an overall strategy of promotion from within. Our management conducts periodic employee engagement surveys and, for supervisors and above, annual individual employee assessments with an emphasis on individual development for each employee.

We believe that relations with our employees are good. None of our employees are represented by a labor union, and we do not have collective bargaining arrangements with any of our employees.

Executive Officers and Board of Directors

On December 31, 2024, our executive officers and directors included the following:

Name	Age	Title
James F. DeSocio	69	President, Chief Executive Officer, and Director
Matthew L. Chretien	57	Chief Strategy Officer, Chief Technology Officer, Secretary, and Director
Joseph D. Spain	57	Chief Financial Officer, Treasurer
Roger Kahn	55	Director (Resigned as of February 18, 2025)
John Guttilla	68	Director
Stanley Jaworski	72	Director
Paul Seid	76	Director
Michael Taglich	59	Director, Chairman of the Board

James F. DeSocio, President, Chief Executive Officer, and Director. Mr. DeSocio joined Intellinetics on September 25, 2017. Prior to joining Intellinetics, Mr. DeSocio served as Chief Revenue Officer at Relayware, LLC, a global provider of Partner Relationship Management solutions, from January 2015 to September 2017. From January 2013 to November 2014, Mr. DeSocio served as Executive Vice President of Operations for XRS Corporation, a fleet management software solutions provider. From October 2007 to September 2012, Mr. DeSocio served as Executive Vice President of Sales and Business Development for Antenna Software, Inc., a business mobility solutions provider. Mr. DeSocio has extensive experience in sales, marketing, international operations, mergers and acquisitions.

Matthew L. Chretien, Chief Strategy Officer, Chief Technology Officer, Director. Mr. Chretien is a co-founder of Intellinetics and has served as Secretary since December 19, 2017, Chief Strategy Officer since September 25, 2017, and Chief Technology Officer since September 2011. Mr. Chretien previously served as Intellinetics' President and Chief Executive Officer from July 2013 to September 2017, and from January 1999 to September 2011; Executive Vice President from September 2011 to July 2013; Chief Financial Officer from September 2011 to September 2012; Treasurer from September 2011 to December 2016; and Vice President from 1996 until 1999. Prior to joining Intellinetics, Mr. Chretien served as the field sales engineer for Unison Industries, a manufacturer of aircraft ignition systems.

Joseph D. Spain, Chief Financial Officer and Treasurer. Mr. Spain joined Intellinetics on October 31, 2016 and was appointed as its Chief Financial Officer on December 1, 2016. Prior to joining Intellinetics, Mr. Spain worked from September 2014 to October 2016 for nChannel, Inc., a software solutions provider for the small-to-medium business retail sector, ultimately serving as Chief Financial Officer of the company. From July 1995 to June 2014, Mr. Spain worked for Mettler-Toledo International, Inc., a global provider of measurement and precision instruments, ultimately serving as Vice President of Finance & Controller for one of the company's operating units.

Roger Kahn, Director. On February 18, 2025, Roger Kahn resigned from the board, noting his other responsibilities required his full attention. There were no disagreements with the board. Mr. Kahn was appointed as a member of our board of directors on October 5, 2017. Mr. Kahn has served as President and Chief Executive Officer of Bridgeline Digital, Inc. ("Bridgeline"), a web content management solutions provider, since May 2016. Mr. Kahn received his Ph.D. in Computer Science and Artificial Intelligence from the University of Chicago.

John Guttilla, Director. Mr. Guttilla was appointed as a member of our board of directors on November 10, 2022. Mr. Guttilla is a Managing Director and shareholder of CBIZ CPA's LLC. He serves as Financial Services Partner in CBIZ's Saddle Brook, NJ office. CBIZ acquired Mr. Guttilla's previous accounting firm, Marcum LLP, in November of 2024, in which Mr. Guttilla was a partner. Mr. Guttilla has more than 40 years of experience in both tax consulting and auditing for both public and private companies and his industry experience includes brokerage, private equity, foreign exchange trading, manufacturing, printing, hospitality, consumer products, real estate and professional services. He has also served as a Director and Audit Committee Chairman for two public companies, DecisionPoint Systems, Inc. (NYSE DPSI), and Orchids Paper Products (NYSE TIS).

Stanley P. Jaworski, Jr., Director. Mr. Jaworski was appointed as a member of our board of directors on June 22, 2023. In 2016, Mr. Jaworski founded Opus2 Ventures, LLC, a management advisory firm dedicated to assisting company boards, management and functional leadership in developing successful go-to-market strategies. He currently serves as President and Principal Advisor there. In 2014, Mr. Jaworski served as Vice President Global Marketing for the Comodo Group, a cyber security company. Prior to Comodo, Mr. Jaworski served as Vice President, Americas Marketing for Motorola Solutions, Inc. (NYSE:MSI) from 2009 until May 2014. From 2007 to 2009, Mr. Jaworski was Chief Marketing Officer of VBrick Systems, Inc., which provides enterprise video streaming solutions. From 2005 to 2007, he was Vice President, Worldwide Channel Marketing, at NetApp, Inc., a data storage and management company. Prior to NetApp, Mr. Jaworski was at Symbol Technologies, Inc. (now Zebra Technologies) from 1986 to 2005 where he served in various areas of senior executive responsibility including Vice President and General Manager, Worldwide Channels and Alliances and Vice President, Worldwide Marketing.

Paul Seid. Mr. Seid was appointed as a member of our board of directors on June 22, 2023. Starting in 2013, Mr. Seid has served as Chief Executive Officer of RST Automation, a maker of hospital robotic devices which was established 2004. For the past eighteen years he has been President of Strategic Data Marketing, a research and data collection company. He has also founded, bought and/or sold over twenty companies in Asia, Europe, North, and South America. Mr. Seid graduated from Queen’s College, a division of the City University of New York, in 1968 with a Bachelor’s degree in Political Science. Since 2010, Mr. Seid has served on the board of directors of BioVentrix, a privately held medical device company, and since 2014, he has served on the board of directors of BGSF Inc. (NYSE:BGSF), a workforce solutions company. Mr. Seid has held numerous other board of directors and consulting positions.

Michael Taglich, Director. Mr. Taglich was appointed as a member of our board of directors on November 2, 2023. Mr. Taglich has been President of Taglich Brothers, Inc., since its founding in 1992. Taglich Brothers is a New York-based full-service securities brokerage firm specializing in the micro-cap segment of the public securities markets. He is currently the Chairman of the Board of Air Industries Group Inc., a publicly traded aerospace and defense company (NYSE AIRI). He also serves on the board of BioVentrix, Inc., a privately held medical device company whose products are directed at heart failure treatment. He also serves as a director on a number of other public and private companies, including DecisionPoint Systems, Inc. (NYSE DPSI), Bridgeline Digital, Inc. (NASDAQ BLIN) (resigned as director in February 2025), and privately held Icagen Inc., a drug screening company. Mr. Taglich received a Bachelor’s Degree in Business Administration from New York University.

Available Information

Our Annual Reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all exhibits and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (“Exchange Act”), are available free of charge via our website (www.intellinetics.com) as soon as reasonably practicable after they are filed with, or furnished, to the SEC. The foregoing reports are also publicly available at the SEC’s website: www.sec.gov/edgar.

ITEM 1A. RISK FACTORS

Our business and future operating results may be affected by many risks, uncertainties and other factors, including those set forth below and those contained elsewhere in this report. If any of the following risks were to occur, our business, affairs, assets, financial condition, results of operations, cash flows and prospects could be materially and adversely affected. When we say that something could have a material adverse effect on us or on our business, we mean that it could have one or more of these effects.

In addition to the other information contained in this report, the following risk factors should be considered carefully in evaluating our company. Our business, financial condition, liquidity or results of operations could be materially adversely affected by any of these risks.

Risks Relating to Our Business

Our largest customer awards long-term contracts through a competitive bidding process that is open as of the date of this Report, and any loss or volume reduction of this or any other major customer or the failure to collect a large account receivable could negatively affect our results of operations and financial condition.

Our largest customer awards long-term contracts through a competitive bidding process that is open as of the date of this Report. We believe we are well suited to continue to provide services to this client, but there can be no assurance that we will be awarded continuing contracts or that our work volumes with this customer will continue at their current levels and/or pricing. Revenues from a limited number of customers have accounted for a substantial percentage of our total revenues. Our two largest clients account for approximately 40% and 4%, and 35% and 5%, of our revenues for the years ended December 31, 2024 and 2023, respectively. For the years ended December 31, 2024, and 2023, government contracts, including K-12 education, represented approximately 80% of our net revenues in each period. The loss or volume reduction of one of our clients or the loss of a meaningful percentage of government contracts could materially affect our business and operating results.

Uncertainty in the education industry or reduced governmental spending on education may have a chilling effect on our prospective K-12 Education clients, making it more difficult to close sales with new customers.

A significant portion of our revenues comes from contracts with local school districts. Current uncertainties relating to the activities and funding of the Department of Education may have an indirect chilling effect on the activities of local school districts, leading our prospective new customers to delay spending decisions. This may reduce the growth of our SaaS revenue and could materially affect our business and operating results.

General inflation and increases in the minimum wage and general labor costs have affected and may continue to adversely affect our business, financial condition and results of operations.

Labor is a significant portion of our cost structure and is subject to many external factors, including minimum wage laws, prevailing wage rates, unemployment levels, health insurance costs and other insurance costs and changes in employment and labor legislation or other workplace regulation. Many companies experienced an increase in labor costs in 2024 and expect additional increases in 2025. As the cost of labor and statutory minimum wage rates increase or related laws and regulations change, we will need to continue to increase not only the wage rates of our minimum wage employees, but also the wages paid to our other hourly or salaried employees. Increases in the cost of our labor could have an adverse effect on our business, financial condition and results of operations, or if we fail to pay such higher wages we could suffer increased employee turnover. Increases in labor costs generally could force us to increase prices for other customers, which could adversely impact our sales. For some customers with multi-year fixed pricing contracts, increases in the minimum wage could decrease our profit margins or result in losses and could have a material adverse effect on our business, financial condition and results of operations.

Current and future competitors could have a significant impact on our ability to generate future revenues and profits.

The markets for our products are intensely competitive, and are subject to rapid technological change and other pressures created by changes in our industry. The convergence of many technologies has resulted in unforeseen competitors arising from companies that were traditionally not viewed as threats to our marketplace, particularly with respect to artificial intelligence (AI). We expect competition to increase and intensify in the future as the pace of technological change and adaptation quickens, and as additional companies enter our markets, including those competitors who offer similar products and services to ours, but offer them through a different form of delivery. Numerous releases of competitive products have occurred in recent history and are expected to continue in the future. We may not be able to compete effectively with current competitors and potential entrants into our marketplace. We could lose market share if our current or prospective competitors: (i) introduce new competitive products, (ii) add new functionality to existing products, (iii) acquire competitive products, (iv) reduce prices, or (v) form strategic alliances with other companies. If other businesses were to engage in aggressive pricing policies with respect to competing products, or if the dynamics in our marketplace resulted in increased bargaining power by the consumers of our products and services, we would need to lower the prices we charge for the products we offer. This could result in lower revenues or reduced margins, either of which could materially and adversely affect our business and operating results. Additionally, if prospective consumers choose other methods of document solutions delivery, different from those that we offer, our business and operating results could also be materially and adversely affected.

If we are unable to continue to attract new customers and increase market awareness of our company and solutions, our revenue growth could be slower than we expect or could decline.

We believe that our future growth depends in part upon increasing our customer base. Our ability to achieve significant growth in revenue in the future will depend, in part, upon continually attracting new customers and obtaining subscription renewals to our solutions from those customers. Market awareness of our capabilities and solutions is essential to our ability to generate new leads for expanding our business and our continued growth. If we fail to sufficiently invest in our marketing programs or they are unsuccessful in attracting new customers by creating market awareness of our company and solutions, our business may be harmed.

Any significant reduction in the sales efforts or cooperative efforts from our partners could materially impact our revenues.

We rely on close cooperation with our distribution partners for sales and product development as well as for the optimization of opportunities that arise in our competitive environment. In particular, the success of our ERP partner programs are entirely dependent upon our relationships with our ERP partners. Our success will depend, in part, upon our ability to maintain access to existing channels of distribution and to gain access to new channels if and when they develop. We may not be able to retain a sufficient number of our existing partners or develop a sufficient number of future partners. We are unable to predict the extent to which our partners will be successful in marketing and licensing our products. A reduction in partner cooperation or sales efforts, or a decline in the number of channels, could materially reduce revenues.

Reduced IT or enterprise software spending may adversely impact our business.

Our business depends on the overall demand for IT and enterprise software spend and on the economic health of our current and prospective customers. Any meaningful reduction in IT or enterprise software spending or weakness in the economic health of our current and prospective customers could harm our business in a number of ways, including longer sales cycles and lower prices for our solutions.

Consolidation in the industry, particularly by large, well-capitalized companies, could place pressure on our operating margins which could, in turn, have a material adverse effect on our business.

Acquisitions by large, well-capitalized technology companies have changed the marketplace for our goods and services by replacing competitors that are comparable in size to our company with companies that have more resources at their disposal to compete with us in the marketplace. In addition, other large corporations with considerable financial resources either have products that compete with the products we offer, or have the ability to encroach on our competitive position within our marketplace. These companies have considerable financial resources, channel influence, and broad geographic reach; thus, they can engage in competition with our products and services on the basis of sales price, marketing, services, or support. They also have the ability to introduce items that compete with our maturing products and services. The threat posed by larger competitors and their ability to use their better economies of scale to sell competing products and services at a lower cost may materially reduce the profit margins we earn on the goods and services we provide to the marketplace. Any material reduction in our profit margin may have a material adverse effect on the operations or finances of our business, which could hinder our ability to raise capital in the public markets at opportune times for strategic acquisitions or general operational purposes, which may prevent effective strategic growth or improved economies of scale or put us at a disadvantage to our better-capitalized competitors.

We must manage our internal resources during periods of company growth, or our operating results could be adversely affected.

The document solutions market has continued to evolve at a rapid pace. If we are successful with our growth plans, any growth will place significant strains on our administrative and operational resources, and increase demands on our internal systems, procedures and controls. Our administrative infrastructure, systems, procedures and controls may not adequately support our operations. In addition, our management may not be able to achieve a rapid, effective execution of the product and business initiatives necessary to successfully implement our operational and competitive strategy. If we are unable to manage growth effectively, our operating results will likely suffer which may, in turn, adversely affect our business.

We may be unable to acquire other businesses, technologies or companies or engage in other strategic transactions, and we may not be able to successfully realize the benefits of and may be exposed to a variety of risks from any such strategic transactions.

The acquisitions of Yellow Folder in 2022 and Graphic Sciences and CEO Imaging Systems, Inc., both in 2020, were our first strategic business acquisitions. As part of our growth strategy, we also expect to continue to evaluate and consider potential strategic transactions, including business combinations, acquisitions and strategic alliances, to enhance our existing businesses and to develop new products and services. At any given time, we may be engaged in discussions or negotiations with respect to one or more of these types of transactions, and any of these transactions could be material to our financial condition and results of operations. However, we do not know if we will be able to identify any future opportunities that we believe will be beneficial for us. Even if we are able to identify an appropriate business opportunity, we may not be able to successfully consummate the transaction, and even if we do consummate such a transaction we may be unable to obtain the benefits or avoid the difficulties and risks of such transaction.

We cannot assure you that we will make any additional acquisitions, or that any future acquisitions will be successful, will assist us in the accomplishment of our business strategy, or will generate sufficient revenues to offset the associated costs and other adverse effects or will otherwise result in us receiving the intended benefits of the acquisition. In addition, we cannot assure you that any future acquisition of new businesses or technology will lead to the successful development of new or enhanced customer relationships, products, and services, or that any new or enhanced products and services, if developed, will achieve market acceptance or prove to be profitable.

<u>Risks Related to Product Development</u>

We need to continue to develop new technologically-advanced products that satisfy our customers and successfully integrate with the software products and enhancements used by our customers.

Our success depends upon our ability to design, develop, test, market, license, and support new software products and enhancements of current products on a timely basis in response to both competitive threats and marketplace demands. Our industry is subject to rapid technological change, and a significant example of this is the rapid advancement of artificial intelligence (AI) tools. If we are unable to develop and sell new products and services that satisfy our customers, our revenue and operating results could be adversely affected. Also, if new industry standards emerge that we do not anticipate or adapt to, including more advanced AI-driven solutions, our software products could be rendered obsolete and, as a result, our business and operating results, as well as our ability to compete in the marketplace, would be materially harmed. In addition, software products and enhancements must remain compatible with standard platforms and file formats. Often, we must integrate software licensed or acquired from third parties with our proprietary software to create or improve our products. If we are unable to achieve a successful integration with third-party software, we may not be successful in developing and marketing our new software products and enhancements. If we are unable to successfully integrate third-party software to develop new software products and enhancements to existing products, or to complete products currently under development which we license or acquire from third parties, our operating results will materially suffer.

If our products and services do not gain market acceptance, our operating results may be negatively affected.

We intend to pursue our strategy of growing the capabilities of our document solutions software offerings through our proprietary research and the development of new product offerings. In response to customer demand, it is important to our success that we continue: (i) to enhance our products, and (ii) to seek to set the standard for document solutions capabilities in the small-to-medium market. The primary market for our software and services is rapidly evolving, due to the nature of the rapidly changing software industry, which means that the level of acceptance of products and services that have been released recently or that are planned for future release by the marketplace is not certain. If the markets for our products and services fail to develop, develop more slowly than expected or become subject to increased competition, our business may suffer. As a result, we may be unable to: (i) successfully market our current products and services, (ii) develop new software products, services and enhancements to current products and services, (iii) complete customer installations on a timely basis, or (iv) complete products and services currently under development. In addition, increased competition could put significant pricing pressures on our products, which could negatively impact our margins and profitability. If our products and services are not accepted by our customers or by other businesses in the marketplace, our business and operating results will be materially affected.

Our investment in our current research and development efforts may not provide a sufficient, timely return.

The development of document solutions software products is a costly, complex, and time-consuming process, and the investment in document solutions software product development often involves a long wait until a return is achieved on such an investment. When cash is available, we make and will continue to make significant investments in software research and development and related product opportunities. Investments in new technology and processes are inherently speculative. Commercial success depends on many factors including the degree of innovation of the products developed through our research and development efforts, sufficient support from our strategic partners, and effective distribution and marketing. We may determine that certain product candidates do not have sufficient potential to warrant the continued allocation of resources. These expenditures may adversely affect our operating results if they are not offset by increased revenues. We believe that we must continue to dedicate a significant amount of resources to our research and development efforts in order to maintain our competitive position. However, significant revenues from new product and service investments may not be achieved for a number of years, if at all. Moreover, new products and services may not be profitable, and even if they are profitable, operating margins for new products and businesses may not be as high as the margins we have experienced for our current or historical products and services.

Our products may contain defects that could harm our reputation, be costly to correct, delay revenues, and expose us to litigation.

Our products are highly complex and sophisticated and, from time to time, may contain design defects or software errors that are difficult to detect and correct. Errors may be found in new software products or improvements to existing products after delivery to our customers. If these defects are discovered, we may not be able to successfully correct such defects in a timely manner. In addition, despite the tests we conduct on all of our products, we may not be able to fully simulate the environment in which our products will operate and, as a result, we may be unable to adequately detect the design defects or software errors which may become apparent only after the products are installed in an end-user's network. The occurrence of errors and failures in our products could result in the delay or the denial of market acceptance of our products, and alleviating such errors and failures may require us to make significant expenditure of our resources. The harm to our reputation resulting from product errors and failures may be materially damaging. Because we regularly provide a warranty with our products, the financial impact of fulfilling warranty obligations may be significant in the future. Our agreements with our strategic partners and end-users typically contain provisions designed to limit our exposure to claims. These agreements regularly contain terms such as the exclusion of all implied warranties and the limitation of the availability of consequential or incidental damages. However, such provisions may not effectively protect us against claims and the attendant liabilities and costs associated with such claims. Accordingly, any such claim could negatively affect our business, operating results or financial condition.

The use of open-source software in our products may expose us to the risk of having to disclose the source code to our product, rendering our software no longer proprietary and reducing or eliminating its value.

Certain open-source software is licensed pursuant to license agreements that require a user who distributes the open-source software as a component of the user's software to disclose publicly part or all of the source code to the user's software. This effectively renders what was previously proprietary software open-source software. As competition in our markets increases, we must strive to be cost-effective in our product development activities. Many features we may wish to add to our products in the future may be available as open-source software, and our development team may wish to make use of this software to reduce development costs and speed up the development process. While we carefully monitor the use of all open-source software and try to ensure that no open-source software is used in such a way as to require us to disclose the source code to the related product, such use could inadvertently occur. Additionally, if a third party has incorporated certain types of open-source software into its software but has failed to disclose the presence of such open-source software, and we embed that third-party software into one or more of our products, we could, under certain circumstances, be required to disclose the source code to our product. This could have a material adverse effect on our business.

The loss of licenses to use third-party software or the lack of support or enhancement of such software could adversely affect our business.

We currently depend upon a limited number of third-party software products. If such software products were not available, we might experience delays or increased costs in the development of our products. In certain instances, we rely on software products that we license from third parties, including software that is integrated with internally-developed software, and which is used in our products to perform key functions. These third-party software licenses may not continue to be available to us on commercially reasonable terms, and the related software may not continue to be appropriately supported, maintained, or enhanced by the licensors. The loss by us of the license to use, or the inability by licensors to support, maintain, and enhance any of such software, could result in increased costs or in delays or reductions in product shipments until equivalent software is developed or licensed and integrated with internally-developed software. Such increased costs or delays or reductions in product shipments could adversely affect our business.

Financial Risks

We need to continue to maintain an effective system of internal controls, in order to be able to report our financial results accurately and timely and prevent fraud.

Effective internal control is necessary for us to provide reliable financial reports and prevent fraud. We maintain a small accounting and reporting staff, concentrated in a few individuals. Any future weaknesses in our internal controls and procedures over financial reporting could result in material misstatements in our consolidated financial statements not being prevented or detected. We may experience difficulties or delays in completing remediation or may not be able to successfully remediate material weaknesses at all. Any material weakness or unsuccessful remediation could affect our ability to file periodic reports on a timely basis and investor confidence in the accuracy and completeness of our consolidated financial statements, which in turn could harm our business and have an adverse effect on our stock price and our ability to raise additional funds.

We may not be able to generate sufficient cash to service any indebtedness that we may incur from time to time, which could force us to sell assets, cease operations, or take other detrimental actions for our business.

Our ability to make scheduled payments on or to refinance any debt or contingent transaction obligations that we have or may incur depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, and other factors beyond our control. We currently have approximately $1.3 million in principal amount of debt maturing in December of 2025. In addition, prior to 2021, we operated with a history of losses. For 2024, we had net loss of approximately $0.5 million, including $1.4 million in total non-cash share-based compensation expense, an increase of $0.8 million from 2023. For 2023, we had net income of approximately $0.5 million. For 2022, we had a net income of approximately zero (break-even). For 2021, we had a net income of $1.4 million, including $0.8 million of PPP forgiveness income. For 2020, we had a net loss of $2.2 million, including a change in fair value of earnout liabilities of $1.6 million. We have an accumulated deficit of $21.6 million as of December 31, 2024. Our ability to meet our capital needs in the future will depend on many factors, including maintaining and enhancing our operating cash flow and successfully retaining and growing our client base in the midst of general economic uncertainty including an inflationary environment. We cannot ensure that we will maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on any indebtedness.

If our cash flows and capital resources are at any time insufficient to fund our obligations, we may be forced to reduce or delay investments and capital expenditures, or to sell assets, seek additional capital, restructure or refinance our indebtedness, or reduce or cease operations. There can be no assurance that additional capital or debt financing will be available to us at any time. Even if additional capital is available, we may not be able to obtain debt or equity financing on terms favorable to us. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to reduce or curtail our operations.

The terms of our promissory notes will restrict our financing flexibility.

The terms of promissory notes we issued in 2022 contain standard negative covenants customary for transactions of this type. These negative covenants may preclude or restrict our ability to obtain future debt and convertible debt financings without the prior approval of holders of the previous notes. The events of default are also customary for transactions of this type, including default in timely payment of principal or interest, failure to observe or perform any covenant or agreement contained in the convertible note and other transaction documents, the commencement of bankruptcy or insolvency proceedings, and failure to timely file Exchange Act filings.

If our estimates or judgments relating to our critical accounting policies are based on assumptions that change or prove to be incorrect, our operating results could fall below expectations of securities analysts and investors,
resulting in a decline in our stock price.

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in "Management's Discussion and Analysis of Financial Condition and Results of Operations-Critical Accounting Policies and Estimates" in this Annual Report on Form 10-K, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Our operating results may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our operating results to fall below the expectations of securities analysts and investors, resulting in a decline in our stock price. Significant assumptions and estimates used in preparing our consolidated financial statements include those related to revenue recognition, stock compensation, and deferred contract costs and commission expense.

A significant downturn in our business may not be immediately reflected in our operating results because of the way we recognize revenue.

We recognize revenue from subscription agreements ratably over the terms of these agreements, which are typically one year. As a result, a significant portion of the revenue we report in each quarter is generated from customer agreements entered into during previous periods, which is reflected as deferred revenue on our balance sheet. Consequently, a decline in new or renewed subscriptions, or a downgrade of renewed subscriptions to less-expensive editions, in any one quarter may not be fully reflected in our revenue in that quarter, and may negatively affect our revenue in future quarters. If contracts having significant value expire and are not renewed or replaced at the beginning of a quarter or are downgraded, our revenue may decline significantly in that quarter and subsequent quarters.

Legal and Regulatory Risks

Our contracts with government clients subject us to risks including early termination, audits, investigations, sanctions, and penalties.

A significant portion of our revenues comes from contracts with state and local governments, school districts, and their respective agencies, which may terminate most of these contracts at any time, without cause. As discussed above, government contracts constitute a significant portion of our total revenues. Contracts at the state and local levels are subject to government funding authorizations. Additionally, government contracts are generally subject to audits and investigations that could result in various civil and criminal penalties and administrative sanctions, including termination of contracts, refund of a portion of fees received, forfeiture of profits, suspension of payments, fines and suspensions, or debarment from future government business.

We are subject to the reporting requirements of federal securities laws, causing us to make significant compliance-related expenditures that may divert resources from other projects, thus impairing its ability to grow.

We are subject to the information and reporting requirements of the Exchange Act, and other federal securities laws, including the Sarbanes-Oxley Act. The costs of preparing and filing annual and quarterly reports, proxy statements and other information with the Commission and furnishing audited reports to stockholders causes our expenses to be higher than most other similarly-sized companies that are privately held. As a public company, we expect these rules and regulations to continue to keep our compliance costs high in 2025 and beyond, and to make certain activities more time-consuming and costly. As a public company, we also expect that these rules and regulations may make it more difficult and expensive for us to obtain director and officer liability insurance in the future, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified persons to serve on our board of directors or as executive officers.

The elimination of monetary liability against our directors, officers, agents and employees under Nevada law, and the existence of indemnification rights to such persons, may result in substantial expenditures by us and may discourage lawsuits against our directors, officers, agents and employees.

Our articles of incorporation and bylaws contain provisions permitting us to eliminate the personal liability of our directors, officers, agents and employees to the Company and our stockholders for damages for breach of fiduciary duty to the extent provided by Nevada law. We may also have contractual indemnification obligations under our employment agreements with our officers. The foregoing indemnification obligations could result in our incurring substantial expenditures to cover the cost of settlement or damage awards against directors, officers, agents and employees, which we may be unable to recoup. These provisions and resultant costs may also discourage our Company from bringing a lawsuit against certain individuals for breaches of their fiduciary duties, and may similarly discourage the filing of derivative litigation by our stockholders against our directors, officers, agents and employees even though such actions, if successful, might otherwise benefit us and our stockholders.

Security breaches may harm our business.

Any security breaches, unauthorized access, unauthorized usage, virus or similar breach or disruption could result in loss of confidential information, damage to our reputation, early termination of our contracts, litigation, regulatory investigations or other liabilities. Our clients may use our products and services to handle personally identifiable information, sensitive personal information, protected health information, or information that is otherwise confidential. If our security measures or those of our third-party data centers are breached as a result of third-party action, employee error, malfeasance or otherwise and, as a result, someone obtains unauthorized access to customer data, our reputation could be damaged, our business may suffer and we could incur significant liability.

We have certain measures to protect our information systems against unauthorized access and disclosure of our confidential information and confidential information belonging to our customers. We have policies and procedures in place dealing with data security and records retention. However, there is no assurance that the security measures we have put in place will be effective in every case.

There has also been an increase in the incidence of data breaches and ransomware events in public companies operating in the US, resulting in unfavorable publicity and high amounts of damages against the breached companies, including penalties, fines, litigation, remediation costs, increased insurance costs, and other potential liabilities, in each case depending upon the nature of the information disclosed. Breaches, or perceived breaches, in security could result in a negative impact for us and for our customers, potentially affecting our business, assets, revenues, brand, and reputation. Concerns about our practices with regard to the collection, use, disclosure, or security of personal information or other privacy-related matters, even if unfounded and even if we are in compliance with applicable laws, could damage our reputation and harm our business.

We may become involved in litigation that may materially adversely affect us.

From time to time in the ordinary course of our business, we may become involved in various legal proceedings, including commercial, infringement, cybersecurity, employment, class action, workers' compensation, and other litigation and claims, as well as governmental and other regulatory investigations and proceedings. We provide business management solutions that we believe are critical to the operations of our customers' businesses and provide benefits that may be difficult to quantify. Any failure of a customer's system installed by us or of the services offered by us could result in a claim for substantial damages against us, regardless of our responsibility for the failure. Although we attempt to limit our contractual liability for damages resulting from negligent acts, errors, mistakes, or omissions in rendering our services, we cannot assure you that the limitations on liability we include in our agreements will be enforceable in all cases, or that those limitations on liability will otherwise protect us from liability for damages. There can be no assurance that any insurance coverage we may have in place will be adequate or that current coverages will remain available at acceptable costs. Such matters can be time-consuming, divert management's attention and resources, and cause us to incur significant expenses. Furthermore, because litigation is inherently unpredictable, the results of any such actions may have a material adverse effect on our business, operating results, or financial condition.

Any claim that we infringe on a third party's intellectual property could materially increase costs and materially harm our ability to generate future revenues and profits.

Claims of infringement are common in the software industry and as related legal protections are applied to software products. Although we are not aware of any infringement on the rights of third parties, third parties may assert infringement claims against us in the future. Although most of our technology is proprietary in nature, we do include certain third-party software in our products. In these cases, this software is licensed from the entity holding the intellectual property rights. Although we believe that we have secured proper licenses for all third-party software that is integrated into our products, third parties may assert infringement claims against us in the future. The third parties making these assertions and claims may include non-practicing entities (known as "patent trolls") whose business model is to obtain IP-licensing revenues from operating companies, such as ours. Any such assertion, regardless of merit, may result in litigation or may require us to obtain a license for the intellectual property rights of third parties. Such licenses may not be available, or they may not be available on reasonable terms. In addition, such litigation could be time-consuming, disruptive to our ability to generate revenues or enter into new market opportunities, and may result in significantly increased costs as a result of our defense against those claims or our attempt to license the intellectual property rights or rework our products to avoid infringement of third-party rights to ensure they comply with judicial decisions. Our agreements with our partners and end-users typically contain provisions that require us to indemnify them, with certain limitations on the total amount of such indemnification, for damages sustained by them as a result of any infringement claims involving our products. Any of the foregoing results of an infringement claim could have a significant adverse impact on our business and operating results, as well as our ability to generate future revenues and profits.

Risks Relating to Our Common Stock

We may have to issue additional securities at prices which may result in substantial dilution to our stockholders.

If we raise additional funds through the sale of equity or convertible debt, our current stockholders' percentage ownership will be reduced. In addition, these transactions may dilute the value of ordinary shares outstanding. We may have to issue securities that may have rights, preferences, and privileges senior to our common stock. We cannot provide assurance that we will be able to raise additional funds on terms acceptable to us, if at all. If future financing is not available or is not available on acceptable terms, we may not be able to fund our future needs, which would have a material adverse effect on our business plans, prospects, results of operations, and financial condition.

Shares of our common stock that have not been registered under the Securities Act, regardless of whether such shares are restricted or unrestricted, are subject to resale restrictions imposed by Rule 144.

Pursuant to Rule 144 of the Securities Act of 1933, as amended (the "Securities Act"), a "shell company" is defined as a company that has no or nominal operations, and either no or nominal assets, assets consisting solely of cash and cash equivalents, or assets consisting of any amount of cash and cash equivalents and nominal other assets. As such, we were a shell company pursuant to Rule 144 prior to 2012. Even though we are no longer a shell company, investors may be reluctant to invest in our securities because securities of a former shell company may not be as freely tradable as securities of companies that are not former "shell companies." In addition, since we are a former shell company, shareholders with restricted securities cannot rely upon Rule 144 for sales of restricted securities in the event that we are not current in our filing obligations under the Exchange Act.

An active, liquid and orderly market for our common shares may not be sustained, and you may not be able to sell your common shares.

Our common shares trade on the NYSE American exchange. We cannot assure you that an active trading market for our common shares will be sustained. The lack of an active market may impair your ability to sell the common shares at the time you wish to sell them or at a price that you consider reasonable. An inactive market may also impair our ability to raise capital by selling common shares and may impair our ability to acquire other businesses, applications or technologies using our common shares as consideration, which, in turn, could materially adversely affect our business.

We are subject to the continued listing requirements of the NYSE American. If we are unable to comply with such requirements, our common shares would be delisted from the NYSE American, which would limit investors' ability to effect transactions in our common shares and subject us to additional trading restrictions.

Our common shares are currently listed on the NYSE American. In order to maintain our listing, we must maintain certain share prices, financial and share distribution targets, including maintaining a minimum amount of shareholders' equity and a minimum number of public shareholders. In addition to these objective standards, the NYSE American may delist the securities of any issuer if, in its opinion, the issuer's financial condition and/or operating results appear unsatisfactory; if an issuer fails to comply with the NYSE American's listing requirements; or if any other event occurs or any condition exists which makes continued listing on the NYSE American, in its opinion, inadvisable. If the NYSE American delists our common shares from trading on its exchange and we are not able to list our securities on another national securities exchange, we expect our common shares would qualify to be quoted on an over-the-counter market. If this were to occur, we could face significant material adverse consequences, including: a limited availability of market quotations for our securities; reduced liquidity for our securities; a determination that our common shares are a "penny stock" which will require brokers trading in our common shares to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for our securities; a limited amount of news and analyst coverage; and a decreased ability to issue additional securities or obtain additional financing in the future.

The market price of our common stock may limit the appeal of certain alternative compensation structures that we might offer to the high-quality employees we seek to attract and retain.

If the market price of our common stock performs poorly, such performance may adversely affect our ability to retain or attract critical personnel. For example, if we were to offer options to purchase shares of our common stock as part of an employee's compensation package, the attractiveness of such a compensation package would be highly dependent upon the performance of our common stock.

In addition, any changes made to any of our compensation practices which are made necessary by governmental regulations or competitive pressures could adversely affect our ability to retain and motivate existing personnel and recruit new personnel. For example, any limit to total compensation which may be prescribed by the government, or any significant increases in personal income tax levels in the United States, may hurt our ability to attract or retain our executive officers or other employees whose efforts are vital to our success.

Shares eligible for future sale may adversely affect the market price of our common stock.

From time to time, certain of our stockholders may be eligible to sell all or some of their shares of common stock by means of ordinary brokerage transactions in the open market pursuant to Rule 144 of the Securities Act, subject to certain limitations. Any substantial sale of our common stock pursuant to Rule 144 may have an adverse effect on the market price of our common stock.

The price of our common stock may fluctuate significantly and lead to losses by stockholders.

The common stock of public companies can experience extreme price and volume fluctuations. These fluctuations often have been unrelated or out of proportion to the operating performance of such companies. We expect our stock price to be similarly volatile. These broad market fluctuations may continue and could harm our stock price. Any negative change in the public's perception of the prospects of our business or companies in our industry could also depress our stock price, regardless of our actual results. Factors affecting the trading price of our common stock may include:

- Variations in operating results;
- Announcements of technological innovations, new products or product enhancements, strategic alliances, or significant agreements by us or by competitors;
- Recruitment or departure of key personnel;
- Litigation, legislation, regulation, or technological developments that adversely affect our business; and
- Market conditions in our industry, the industries of our customers, and the economy as a whole.

Further, the stock market in general, and securities of smaller companies in particular, can experience extreme price and volume fluctuations. Continued market fluctuations could result in extreme volatility in the price of our common stock, which could cause a decline in the value of our common stock. You should also be aware that price volatility might be worse if the trading volume of our common stock is low. Occasionally, periods of volatility in the market price of a company's securities may lead to the institution of securities class action litigation against a company. Due to the volatility of our stock price, we may be the target of such securities litigation in the future. Such legal action could result in substantial costs to defend our interests and a diversion of management's attention and resources, each of which would have a material adverse effect on our business and operating results.

FINRA sales practice requirements may limit a shareholder's ability to buy and sell our stock.

The Financial Industry Regulatory Authority has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative, low-priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives, and other information. Under interpretations of these rules, FINRA believes that there is a high probability that low-priced securities will not be suitable for at least some customers. The FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may limit your ability to buy and sell our stock and have an adverse effect on the market for our shares.

We do not expect to pay any dividends on our common stock for the foreseeable future.

We do not anticipate that we will pay any cash dividends to holders of our common stock in the foreseeable future. Instead, we plan to retain any earnings to maintain and expand our existing operations. The declaration, payment, and amount of any future dividends, if any, will be made at the discretion of our board of directors, and will depend upon, among other things, the results of our operations, cash flows and financial condition, operating and capital requirements, and other factors that the board of directors considers relevant. We currently are subject to loan covenants that would require consent from our lenders in order to pay any dividends prior to repayment of certain outstanding loans. In addition, any future credit facilities we enter into may contain terms prohibiting or limiting the amount of dividends that may be declared or paid on our common stock.

General Risks

Global economic uncertainty is likely to affect our operating results or financing in ways that are hard to predict or to defend against.

Our overall performance depends on economic conditions. The United States' and world economies are currently recovering from recent inflation and higher interest rates, although uncertainty posed by the imposition of new tariffs, ongoing conflicts in the Middle East and Ukraine, global sanctions on Russia, and trade tensions between the US and China, may continue to adversely impact the business community and financial markets for some time. Moreover, instability in the global economy affects countries, including the United States, with varying levels of severity, which makes the impact on our business complex and unpredictable. As an example, our IntelliCloud Payables Automation Solution is currently targeted to industries such as home-building and construction, which may be adversely affected by the imposition of new tariffs. During adverse economic conditions, many customers delay or reduce technology purchases. Contract negotiations are likely to become more protracted, or conditions could result in reductions in sales of our products, longer sales cycles, pressure on our margins, difficulties in collection of accounts receivable or delayed payments, increased default risks associated with our accounts receivable, slower adoption of new technologies, and increased price competition. In addition, the current rise in interest rates in the United States and global credit markets could adversely impact our ability to complete sales of our products and services, including subscription renewals. Any of these prolonged events, are likely to cause a curtailment in government or corporate spending and delay or decrease customer purchases, and adversely affect our business, financial condition, and results of operations.

Businesses and industries throughout the world are very tightly connected to each other. Thus, financial developments seemingly unrelated to us or to our industry may adversely affect us over the course of time. For example, credit contraction in financial markets may hurt our ability to access credit in the event that we require significant access to credit for other reasons. Similarly, volatility in our stock price could hurt our ability to raise capital for the financing of acquisitions or other reasons. Any of these events, or any other events caused by volatility in domestic or international financial markets, may have a material adverse effect on our business, operating results, and financial condition.

Any disruption of service at data centers that house our data could harm our business.

Our users expect to be able to access our solutions 24-hours a day, seven-days a week, without interruption. We have computing and communications hardware operations located in data centers owned and operated by third parties. We do not control the operation of these data centers and we are therefore vulnerable to any security breaches, power outages or other issues the data centers experience. These data centers are vulnerable to damage or interruption from human error, malicious acts, earthquakes, hurricanes, tornados, floods, fires, war, terrorist attacks, power losses, hardware failures, systems failures, telecommunications failures and similar events. The occurrence of a natural disaster or an act of terrorism, vandalism or other misconduct, or a decision to close the data centers without adequate notice or other unanticipated problems could result in lengthy interruptions in availability of our solutions.

Any changes in third-party service levels at our data centers or any errors, defects, disruptions or other performance problems with our solutions could harm our reputation and may damage our customers' businesses. Interruptions in availability of our solutions might reduce our revenue, cause us to issue credits to customers, subject us to potential liability, and cause customers to terminate their subscriptions or decide not to renew their subscriptions with us.

If we are not able to attract and retain top employees, our ability to compete may be harmed.

Our performance is substantially dependent on the performance of our executive officers and key employees. The loss of the services of any of our executive officers or other key employees could significantly harm our business. Our success is also highly dependent upon our continuing ability to identify, hire, train, retain, and motivate highly-qualified management, technical, sales, and marketing personnel. In particular, the recruitment of top software developers and experienced salespeople remains critical to our success. Competition for such people is intense, substantial, and continuous, especially in the current environment of labor shortage, and we may not be able to attract, integrate, or retain highly-qualified technical, sales, or managerial personnel in the future. In addition, in our effort to attract and retain critical personnel, we may experience increased compensation costs that are not offset by either improved productivity or higher prices for our products or services.

Failure to protect our intellectual property could harm our ability to compete effectively.

We are highly dependent on our ability to protect our proprietary technology. We rely on a combination of intellectual property laws, trademark laws, as well as non-disclosure agreements and other contractual provisions to establish and maintain our proprietary rights. We intend to protect our rights vigorously; however, there can be no assurance that these measures will be successful. Enforcement of our intellectual property rights may be difficult or cost prohibitive. While U.S. copyright laws may provide meaningful protection against unauthorized duplication of software, software piracy has been, and is expected to be, a persistent problem for the software industry, and piracy of our products represents a loss of revenue to us. Certain of our license arrangements may require us to make a limited confidential disclosure of portions of the source code for our products, or to place such source code into escrow for the protection of another party. Although we will take considerable precautions, unauthorized third parties, including our competitors, may be able to: (i) copy certain portions of our products, or (ii) reverse engineer or obtain and use information that we regard as proprietary. Also, our competitors could independently develop technologies that are perceived to be substantially equivalent or superior to our technologies. Our competitive position may be adversely affected by our possible inability to effectively protect our intellectual property.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 1C. CYBERSECURITY

We have implemented various processes designed to identify, assess and manage material risks from cybersecurity threats to our information networks, third-party hosted services, communications systems, hardware and software (collectively, our "Systems"), and our data and our clients' data (together, "Data").

Our cybersecurity risk management efforts leverage the National Institute of Standards and Technology (NIST) cybersecurity framework, that also aligns with the SP800-53 r5 Information Security controls framework. Our cybersecurity personnel identify and assess risks using various methods and security tools designed to help prevent, identify, protect, detect, escalate, respond, and recover from identified vulnerabilities and security incidents in a timely manner.

We maintain various technical, physical, and organizational measures, in the form of policies, standards, processes, and technical capabilities, designed to manage and mitigate material risks from cybersecurity threats to our Systems and Data, including, among other things, risk and threat assessment, internal reporting, annual and ongoing cybersecurity awareness training for employees, mechanisms to detect and monitor unusual network activity, as well as threat detection, containment, incident response and backup recovery tools.

We conduct tests of our cybersecurity program on a regular basis that are designed to identify our cybersecurity risks. We use third-party security service providers and cybersecurity consultants to assist us from time to time to identify, assess, and manage material risks from cybersecurity threats and review our cybersecurity program. The results of such reviews are reported to certain members of our senior management, who evaluate material risks from cybersecurity threats against our overall business objectives and report to our board of directors, which evaluates our overall enterprise risk. Within our senior management, our Chief Financial Officer and Chief Technology Officer (CTO) review our cybersecurity program at least quarterly. Our CTO is one of our founders and has been in technology since 1996. One of our board members has been employed with a cyber security company.

We use third-party service providers to perform a variety of functions throughout our business, such as Amazon Web Services, Expedient (Columbus, OH), and Corespace (Dallas, TX). Depending on the nature of the services provided, certain providers are subject to cybersecurity risk assessments at the time of onboarding. We also use various inputs to assess the risk of our third-party service providers, including information supplied by them.

While we have not, as of the date of this Annual Report on Form 10-K, experienced a cybersecurity incident that resulted in a material adverse impact to our business or operations, there can be no guarantee that we will not experience such an incident in the future. For a description of the risks from cybersecurity threats that may materially affect the Company and how they may do so, please see "Risk Factors" included in Part I, Item 1A of this Annual Report on Form 10-K, including "Legal and Regulatory Risks" and "General Risks."

ITEM 2. PROPERTIES

On January 1, 2010, we entered into an agreement to lease 6,000 rentable square feet of office space in Columbus, Ohio, used for our corporate headquarters, Document Conversion operations, and a small portion of our Document Management operations. The lease commenced on January 1, 2010 and, pursuant to a lease extension dated September 18, 2021, the lease expires on December 31, 2028. The monthly rental payment is $5,400, with gradually higher annual increases each January up to $5,850 for the final year.

We lease 36,000 square feet of space in Madison Heights, Michigan as the main facility for our Document Conversion operations. 20,000 square feet is used for records storage services, with the remainder of the space used for production, sales, and administration. The monthly rental payment is $44,929, with gradually higher annual increases each September up to $45,828 for the final year, and with a lease term continuing until August 31, 2026.

We also lease a separate 37,000 square foot building in Sterling Heights, Michigan for our Document Conversion operations, with most of the space used for document storage, except approximately 5,000 square feet, which is used for production. The monthly rental payment is $22,312, with gradually higher annual increases each May up to $24,171 for the final year, and with a lease term continuing to April 30, 2028.

We lease office space in Traverse City, Michigan for Document Conversion production. The monthly rental payment is $5,100, with a lease term continuing until January 31, 2026.

We also lease and use vehicles for logistics pertaining to our Document Conversion segment, primarily pickup and delivery of client materials, including storage and retrieval operations. The monthly rental payments for these vehicles total $7,605, with lease terms continuing until September 30, 2028.

We also lease and use an additional temporary office space in Madison Heights for our Document Conversion operations, with a monthly rental payment of $1,605 and a lease term on a month-to-month basis. We have made an accounting policy election to not record a right-of-use asset and lease liability for short-term leases, which are defined as leases with a lease term of 12 months or less. Instead, the lease payments are recognized as rent expense in the general and administrative expenses on the statements of income.

For each of the above listed leases, management has determined it will utilize the base rental period and have not considered any renewal periods.

We own and operate, for our Document Conversion segment, an extensive collection of the specialized equipment necessary for scanning images, converting microfilm to digital images or microfiche or vice-versa. We also have the ability to provide on-site capture operations for clients needing such services.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we are subject to ordinary routine litigation and claims incidental to our business. We are not currently involved in any legal proceedings that we believe to be material.

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

Part II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock trades on the NYSE American under the symbol "INLX."

Holders

As of March 19, 2025 we had 79 stockholders of record. Such number of record stockholders does not include additional stockholders or other beneficial owners whose shares are held in street or nominee name by banks, brokerage firms, and other institutions on their behalf.

Dividends

Dividends may be declared and paid out of legally available funds at the discretion of our board of directors. No dividends on our common stock were paid in either of the two most recent fiscal years, and we do not anticipate paying dividends on our common stock in the foreseeable future. The timing, amount and form of dividends, if any, will depend on, among other things, our results of operations, financial condition, cash requirements and other factors deemed relevant by our board of directors. We currently intend to utilize all available funds to develop our business.

Unregistered Securities Issuances in Fiscal Year 2024

There have been no unregistered securities issuances in Fiscal Year 2024 that have not previously been disclosed in Current Reports on 8-K or Forms 10-Q.

Issuer Purchase of Securities

None.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis of financial conditions and results of operations for the fiscal years ended December 31, 2024, and 2023 should be read in conjunction with our consolidated financial statements and the notes to those consolidated financial statements that are included elsewhere in this Annual Report on Form 10-K. In this Annual Report, we sometimes refer to the twelve month period ended December 31, 2024 as 2024, and to the twelve month period ended December 31, 2023 as 2023.

We caution you that any forward-looking statements included in this section are not guarantees of future performance or events and are subject to a number of uncertainties, risks and other influences, many of which are beyond our control, which may influence the accuracy of the statements and the projections upon which the statements are based. Factors that may affect our results include, but are not limited to, the risk factors that are included in Part I, Item 1A of this report.

How We Evaluate our Business Performance and Opportunities

The major qualitative and quantitative factors we consider in the evaluation of our operating results include the following:

- With respect to our Document Management segment, our current strategy is to focus on cloud-based delivery of our software products. Our observation of industry trends leads us to anticipate that cloud-based delivery will continue to be our principal software business and a primary source of revenues for us, and we are seeing our customers migrate to cloud-based services. When we evaluate our results, we assess whether our cloud-based software revenues are increasing, relative to prior periods and relative to other sources of revenue.

- With respect to our Document Conversion segment, our strategy is to maintain and grow our core document conversion business, while simultaneously leveraging our software products and services to provide more attractive total digital transformation solutions for the customers of our Document Conversion segment. Accordingly, when we evaluate our results for Document Conversion, we will assess whether our revenues increase with respect to the segment's services, relative to prior periods, but we will also be assessing whether Document Conversion customers begin to make purchases of other products or services.

- We are focused upon sales of our document services and software solutions through resellers and directly to our customers, with a further focus on select vertical markets. We assess whether our sales resulting from relationships with resellers are increasing, relative to prior periods and relative to direct sales to customers, and whether reseller or direct efforts offer the best opportunities for growth in our targeted vertical markets.

- Our software sales cycle averages 1-3 months; however, large projects can be longer, lasting 4-6 months. When a software project begins, we generally perform pre-installation assessment, project scoping, and implementation consulting. On the other hand, our document conversion services often contain a very short sales cycle, but we can have a backlog of work orders not yet processed. Therefore, when we plan our business and evaluate our results, we consider the revenue we expect to recognize from projects in our late-stage software pipeline and in our document conversion services backlog queue.

- We monitor our costs and capital needs to ensure efficiency as well as an adequate level of support for our business plan.

- While we are constantly focused on organic growth, we also continually monitor potential acquisitions of complementary solutions and expertise that are consistent with our core business. We look for acquisitions that can add value for our customers and are expected to be accretive to our financial performance.

Executive Overview of Results

2024 results reflected our current strategy to grow our SaaS revenue. All comparison amounts of 2024 over 2023 represent organic growth. Our most recent acquisition was in 2022 and has no comparative impact on the periods reported. Our sales revenues in software as a service and in professional services, primarily document conversion, provided our revenue growth, more than offsetting expected weakness in storage and retrieval and sales of direct premise software. We generated strong cash flow in 2024, enabling us to pay down our notes payable by $1,625,000.

Operating expenses for 2024 increased 23.7%, primarily driven by share-based compensation. In 2024, we recorded an incremental $805,955 expense related to our restricted stock awards to employees and an incremental $254,885 related to new stock option grants to employees and directors, bringing the grand total of share-based compensation to $1,496,774 in 2024 compared to $662,653 in 2023. The balance of our operating expenses (excluding cost of revenues) increased 14.0% year over year, primarily driven by intentional investments in sales and marketing to accelerate revenue growth and investments in general and administrative to build structure in order to better scale, as well as expanding our development team to bring product enhancements to market more swiftly.

Below are our key financial results for 2024 (consolidated unless otherwise noted):

- Revenues were $18,018,373, representing revenue growth of 6.7% year over year.

- Cost of revenues was $6,493,447, an increase of 2.7% year over year.

- Operating expenses (excluding cost of revenues) were $11,698,431, an increase of 23.7% year over year. This amount includes share-based compensation expense of $1,496,744 in 2024 compared to 662,653 in 2023.

- Loss from operations was $173,505, compared to income from operations of $1,107,469 for 2023.

- Net loss was $546,215 with basic and diluted net loss per share of $0.13, compared to net income of $519,266 with basic and diluted net income per share of $0.13 and $0.11, respectively, for 2023.

- Net cash provided by operating activities was $3,858,160, compared to $784,659 for 2023.

- Investing activities, including both capitalization of internal use software and purchases of property and equipment, were $827,773, compared to $548,077 for 2023.

- Financing activities included $1,625,000 in prepayments of our notes payables, as a result of our strong operating cash flow.

- As of December 31, 2024, we had 154 employees, including 16 part-time employees, compared to 171 employees, including 31 part-time employees, as of December 31, 2023.

Financial Impact of Current Economic Conditions

Our overall performance depends on economic conditions, and our continuing growth will be due in part to continued growth in the US economy and stability of state and local governmental spending in the US. We do not have direct risk exposure to federal spending levels, but we could face exposure indirectly if federal spending reductions have a corresponding effect on state and local budgets, particularly in the K-12 Education sector. Our performance will also continue to be affected by uncertainty with respect to wage inflation, as well as slowing-to-modest global growth rates.

Volatility from increased trade protectionism is likely to have a minimal direct impact on us because we consume relatively little in raw materials. However, we have customers in industries that are likely to be affected, such as homebuilding and construction. Any industry-specific or macroeconomic downturn could affect our customers' and potential customers' budgets for technology procurement and stall our growth plans. However, absent economic disruptions, and based on the current trend of our business operations and our continued focus on strategic initiatives to grow our customer base, we believe in the strength of our brand and our focus on our strategic priorities.

Reportable Segments

We have two reportable segments: Document Management and Document Conversion. These reportable segments are discussed above under "Item 1. Business."

Results of Operations

Revenues

The following table sets forth our revenues by reportable segment for the periods indicated:

	For the years ended December 31,	
	2024	**2023**
Revenues by segment		
Document Management	$ 7,523,874	$ 7,298,264
Document Conversion	10,494,499	9,588,117
Total revenues	$ 18,018,373	$ 16,886,381
Gross profit by segment		
Document Management	$ 6,545,612	$ 6,133,130
Document Conversion	4,979,314	4,430,825
Total gross profit	$ 11,524,926	$ 10,563,955

The following table sets forth our revenues by revenue source for the periods indicated:

	For the years ended December 31,	
	2024	**2023**

Revenues:				
Sale of software	$	32,946	$	100,260
Software as a service		5,688,936		5,133,215
Software maintenance services		1,410,387		1,407,064
Professional services		9,985,028		9,167,428
Storage and retrieval services		901,076		1,078,414
Total revenues	$	18,018,373	$	16,886,381

The following tables sets forth our revenues by revenue source and segment for the periods indicated:

	For the years ended December 31, 2024	2023
Document management segment revenues:		
Sale of software	$ 32,946	$ 100,260
Software as a service	5,688,936	5,133,215
Software maintenance services	1,410,387	1,407,064
Professional services	391,605	657,725
Total document management segment revenues	$ 7,523,874	$ 7,298,264

	For the years ended December 31, 2024	2023
Document conversion segment revenues:		
Professional services	$ 9,593,423	$ 8,509,703
Storage and retrieval services	901,076	1,078,414
Total document conversion segment revenues	$ 10,494,499	$ 9,588,117

Our total revenues in 2024 increased by $1,131,992, or 6.7%, over 2023 revenues, driven by software as a service and our document conversion professional services, more than offsetting expected weakness in storage and retrieval, expected inactivity in software maintenance services sales, and volatility in sales of direct premise software and document management professional services.

Sale of Software Revenues

Revenues from the sale of software principally consist of sales of additional or upgraded software licenses and applications to existing customers and resellers. Revenues from the sale of software, which are reported as part of our Document Management segment decreased by $67,314, or 67.1% during 2024 compared to 2023.

These period over period changes are due to timing of direct sales projects compared to the same periods in 2023. We expect the volatility of this revenue line item to continue as the frequency of on-premise software solution sales decreases over time and project timing is unpredictable.

Software as a Service Revenues

We provide access to our software solutions as a service, accessible through the internet. Our customers typically enter into our software as a service agreement for periods of one year or more. Under these agreements, we generally provide access to the applicable software, data storage and related customer assistance and support. Revenues from the sale of software as a service, which are reported as part of our Document Management segment increased by $555,721, or 10.8% in 2024 compared to 2023. This increase was primarily the result of new cloud-based solution sales, primarily our IntelliCloud Payables Automation Solution, as well as expanded data storage, user seats, and hosting fees for existing customers. Those growth areas were partially offset by weakness in our content management solutions, particularly YellowFolder in K-12, which was impacted by higher than normal churn rate in those customers.

Software Maintenance Services Revenues

Software maintenance services revenues consist of fees for post-contract customer support services provided to license (premise-based) holders through support and maintenance agreements. These agreements allow our customers to receive technical support, enhancements and upgrades to new versions of our software products when and if available. A substantial portion of these revenues were generated from renewals of maintenance agreements, which typically run on a year-to-year basis. Revenues from the sale of software maintenance services, which are reported as part of our Document Management segment, increased by $3,323, or 0.2%, in 2024 compared to 2023. The small increase in these revenues in 2024 compared to 2023, consistent with previous years and expectation, was driven by expansion of services with existing customers and price increases being partially offset by normal attrition.

Professional Services Revenues

Professional services revenues primarily consist of revenues from document scanning and conversion services, plus consulting, discovery, training, and advisory services to assist customers with document management needs. These revenues include arrangements that do not involve the sale of software. Of our professional services revenues during 2024, $9,593,423 was derived from our Document Conversion operations and $391,605 was derived from our Document Management operations. Our overall professional services revenues increased by $817,600, or 8.9%, in 2024 compared to 2023. This increase is the result of a significant project in our Document Conversion segment during the year, along with realized price increases in late 2023, more than offsetting fewer projects in our Document Management segment, which can be more volatile with its significantly smaller volumes. Our largest customer awards long-term professional services contracts through a competitive bidding process that is open as of the date of this Report. We believe we are well suited to continue to provide services to this client, but there can be no assurance that we will be awarded continuing contracts or that our work volumes with this customer will continue at their current levels and/or pricing. Any reduction in contract volume or pricing could have a significant adverse impact on our future professional services revenues as well as our overall revenues, margins, net income and cash flows next year.

Storage and Retrieval Services Revenues

We provide document storage and retrieval services to customers, primarily in Michigan. Revenues from storage and retrieval services, which are reported as part of our Document Conversion segment, decreased by $177,338, or 16.4%, during 2024 compared to 2023. This decrease was the result of a reduction in volume of work from our largest storage and retrieval customer, Rocket Mortgage, due to the continued impact of the slowdown in the home mortgage and refinancing industry.

Costs of Revenues and Gross Profits

The following table sets forth our cost of revenues by reportable segment for the periods indicated:

	For the years ended December 31, 2024	2023
Cost of revenues by segment		
Document Management	$ 978,262	$ 1,165,134
Document Conversion	5,515,185	5,157,292
Total cost of revenues	$ 6,493,447	$ 6,322,426

The following table sets forth our cost of revenues, by revenue source, for the periods indicated:

	For the years ended December 31, 2024	2023
Cost of revenues:		
Sale of software	$ 8,486	$ 25,736
Software as a service	856,774	889,135
Software maintenance services	57,667	59,373
Professional services	5,222,517	4,992,826
Storage and retrieval services	348,003	355,356
Total cost of revenues	$ 6,493,447	$ 6,322,426

The following tables sets forth our cost of revenues by revenue source and segment for the periods indicated:

	For the years ended December 31, 2024	2023
Document management segment cost of revenues:		
Sale of software	$ 8,486	$ 25,736
Software as a service	856,774	889,135
Software maintenance services	57,667	59,373
Professional services	55,335	190,890
Total document management segment cost of revenues	$ 978,262	$ 1,165,134

	For the years ended December 31, 2024	2023
Document conversion segment cost of revenues:		
Professional services	$ 5,167,182	$ 4,801,936
Storage and retrieval services	348,003	355,356
Total document conversion segment cost of revenues	$ 5,515,185	$ 5,157,292

Our total cost of revenues during 2024 increased by $171,021 or 2.7%, over 2023. Our cost of revenues for our Document Management segment decreased by $186,872, or 16.0%, impacted by the reduced volume in sales of software and professional services in that segment, as well as some efficiencies from scale. Our cost of revenues for our Document Conversion segment increased by $357,893, or 6.9%, in 2024 compared to 2023, corresponding with the increase in revenues.

	For the years ended December 31, 2024	2023
Gross profit:		
Sale of software	$ 24,460	$ 74,524
Software as a service	4,832,162	4,244,080
Software maintenance services	1,352,720	1,347,691
Professional services	4,762,511	4,174,602
Storage and retrieval services	553,073	723,058
Total gross profit	$ 11,524,926	$ 10,563,955
Gross profit percentage:		
Sale of software	74.2%	74.3%
Software as a service	84.9%	82.7%
Software maintenance services	95.9%	95.8%

Professional services	47.7%	45.5%
Storage and retrieval services	61.4%	67.0%
Total gross profit percentage	64.0%	62.6%

Our overall gross profit increased to approximately 64.0% in 2024 from 62.6% in 2023. The revenue mix between segments did not shift significantly, contributing to stability in margins. Price increases in the Document Conversion segment offset a less profitable project mix in professional services within that segment, and consolidated margins were further bolstered by continued strong performance in Document Management subscriptions services, driven by software as a service.

Cost of Software Revenues

Cost of software revenues consists primarily of labor costs of our software engineers and implementation consultants and third-party software licenses that are sold in connection with our core software applications. During 2024, cost of software revenues decreased by $17,250, or 67.0%, from 2023, decreasing at the same rate as the reduced revenues. Our gross margin for software revenues was consistent at approximately 74% in 2024 and 2023. Margins can vary in software revenues, driven by the level of complexity of third-party bundles or modular solutions that required more costs to deliver.

Cost of Software as a Service

Cost of software as a service, or SaaS, consists primarily of technical support personnel, hosting services, and related costs. Cost of software as a service decreased by $32,361, or 3.6%, from 2023. Cost of software as a service is impacted by increasing our implementations team and support desk, as well as periodic improvements to infrastructure, which occurred in 2024 but was more than offset by a reduction in support calls. As a result, in 2024, our gross margin increased to 84.9% from 82.7% in 2023.

Cost of Software Maintenance Services

Cost of software maintenance services consists primarily of technical support personnel and related costs. Cost of software maintenance services decreased by $1,706, or 2.9%, in 2024 from 2023, which is consistent with the relatively flat sales volume for this revenue line. As a result, our gross margin for software maintenance services was consistent at 95.9% in 2024 compared to 95.8% in 2023.

Cost of Professional Services

Cost of professional services consists primarily of compensation for employees performing the document conversion services, compensation of our software engineers and implementation consultants and related third-party costs. Cost of professional services increased in 2024 by $229,691, or 4.6%, over 2023, slightly lagging the increase in revenues for the year. Consolidated, our gross margin for professional services increased to 47.7% during 2024 compared to 45.5% in 2023. In our Document Conversion segment, towards the end of the year, as inbound document conversion project volume dipped, we adjusted our workforce accordingly, reducing temporary workers first, wherever possible. Due to the manual nature of the prepping and scanning work required to convert documents from paper to digital, the business has staffed to the levels of the work available. As a result, our gross margin for professional services in our Document Conversion segment increased to 46.1% during 2024 compared to 43.6% in 2023. In our much smaller Document Management segment, our professional services cost of professional services decreased more significantly than the sales revenue, due to the nature of the projects completed, resulting in gross margin for professional services in our Document Management segment increasing to 85.9% during 2024 compared to 71.0% in 2023. Gross margins may vary in professional services, depending on the type of project, such as paper scanning, micrographics, or consulting services, as well as depending upon the nature of each project and the amount of labor required to complete that project.

Cost of Storage and Retrieval Services

Cost of storage and retrieval services consists primarily of compensation for employees performing the document storage and retrieval services, including logistics, provided primarily by our Michigan operations and to a much lesser extent, our K-12 customers in Texas. Cost of storage and retrieval services were relatively flat, decreasing by $7,353, or 2.1%, during 2024 compared to 2023. The decrease was less than the revenue decrease due to an increase in document destruction, which carries a higher cost than other components of storage and retrieval. Gross margins for our storage and retrieval services, which exclude the cost of facilities rental, maintenance, and related overheads, decreased to 61.4% during 2024 compared to 67.0% in 2023.

Operating Expenses

The following table sets forth our operating expenses for the periods indicated:

	For the years ended December 31, 2024		For the years ended December 31, 2023	
Operating expenses:				
General and administrative	$	8,166,567	$	6,455,088
Sales and marketing		2,403,251		2,026,871
Depreciation and amortization		1,128,613		974,527
Total operating expenses	$	11,698,431	$	9,456,486

General and Administrative Expenses

General and administrative expenses increased in 2024 by 1,711,479, or 26.5%, over 2023. The primary driver of the increase is the share-based compensation expense of $1,496,774 in 2024 compared to $662,653 in 2023. The share-based compensation expense components for 2024 and 2023 are described in the following table:

	For the years ended December 31, 2024		For the years ended December 31, 2023	
Share based compensation expense components:				
Stock options granted 2020 and 2022	$	435,934	$	464,529
Stock options granted third quarter 2024		254,885		-
Restricted stock awards granted		805,955		198,124
Total share-based compensation expense		1,496,774		662,653
Less amount related to cashless exercise		(69,525)		-
Share based compensation equity impact	$	1,427,249	$	662,653

Excluding the share-based compensation expense, total general and administrative expenses increased by $877,358, or 13.6% in 2024 over 2023, related to investments made in order to scale, such as development, finance, and our SOC2 process, as well as wage increases.

Sales and Marketing Expenses

Sales and marketing expenses increased by $376,380, or 18.6%, during 2024 over 2023. The increases were primarily driven by the expansion of our sales team as part of our investments intended to accelerate our sales. Additionally, we increased in our spending on lead generation, both internally and through an outsourced service, and on select campaigns and increased travel and trade show materials and attendance.

Depreciation and Amortization

Depreciation and amortization increased by $154,086, or 15.8%, in 2024 over 2023, driven by both increased amortization on capitalizable software, which has increased in recent quarters as we bring new functionality to our payables automation solution, and by purchases of server hardware in 2024 to update our infrastructure.

Other Items of Income and Expense

Interest Expense

Interest expense, net was $372,710 during 2024 as compared with $588,203 during 2023, representing a decrease of $215,493 or 36.6%. The decrease resulted from principal repayments as follows: the 2020 Notes principal payments of $263,000 on February 28, 2023 and $717,500 on August 31, 2023, and the 2022 Notes principal repayments of $500,000 on March 30, 2024, $325,000 on June 30, 2024 and $800,000 on August 30, 2024. The reduced interest on lower principal balances year over year was partially offset by accelerating amortization of debt issue costs corresponding with the prepaid notes principal. Interest expense, net, included interest income of $38,539 and $29,795 during 2024 and 2023, respectively.

Liquidity and Capital Resources

We have financed our operations primarily through a combination of cash on hand, cash generated from operations, borrowings from third parties and related parties, and proceeds from private sales of equity. Since 2012, we have raised a net total of approximately $21.6 million in cash through issuances of equity securities and a further $5.0 million in cash through issuances of debt securities, of which all but approximately $1.3 million has been repaid.

In 2024 and 2023, we engaged in several actions that significantly improved our liquidity and cash flows, including (i) effective October 1, 2023 through May 30, 2025, securing a renewal contract with our largest customer, containing an estimated net rate increase for all non-fixed pricing projects of approximately 21%, compared to the current rates in effect for the contract period commencing June 1, 2018, and (ii) on March 13, 2024, we agreed with the note holders to amend the Unrelated Notes and Related Notes to extend the maturity date to December 31, 2025, for the remaining $807,331 in 2022 Unrelated Notes and $532,169 of the 2022 Related Notes. However, we are currently engaged in a cyclical competitive bidding process with our largest customer, which process is open as of the date of this Report. Any reduction in contract volume or pricing could have a significant adverse impact on our future liquidity and cash flow. In the event we were to lose this contract, due to the necessary transition period to a new vendor, we anticipate that we would still receive approximately 70% of the anticipated revenue from this contract for fiscal year 2025. Additionally, at December 31, 2024 and 2023 we had approximately $1.3 million in unbilled accounts receivable. Due to certain image processing inefficiencies, combined with exacting customer terms regarding acceptance for certain projects, we have a number of projects where all of the document conversion work is completed, and the associated revenue has been recognized, but we are unable to invoice until the customer has received and approved the images. The balance is also affected by the timing of completion of major projects. We have initiatives in place to mitigate the bottlenecks and invoice more promptly.

At December 31, 2024, we had $2.5 million in cash and cash equivalents, working capital deficit of $1.1 million, of which the largest liabilities include $3.4 million in deferred revenues and short-term debt relating to our notes payable of approximately $1.3 million due December 31, 2025. Based on our current plans and assumptions, we believe our capital resources, including our cash and cash equivalents, along with funds expected to be generated from our operations and potential financing options, will be sufficient to meet our anticipated cash flow needs for at least the next 12 months, including to satisfy our expected working capital needs and our capital and debt service commitments over that period.

Our future cash resources and capital requirements may vary materially from those now planned. For example, from time to time we evaluate opportunities to expand our current offerings or to develop new products and services and technology or to acquire or invest in complementary businesses, which could increase our capital needs. Our ability to meet our capital needs in the short term will depend on many factors, including maintaining and enhancing our operating cash flow and successfully retaining and growing our client base in the midst of continuing uncertainty regarding inflation and economic growth, the impact of contract renegotiations with our largest customer, the timing of sales, the success of our new business partners expanding our product and service lines, the mix of products and services, unanticipated events over which we have no control increasing our operating costs or reducing our revenues beyond our current expectations, and other factors discussed in this Annual Report.

We believe we could seek additional debt or equity financing on acceptable terms. While we are confident in our ability to satisfy our current debt requirements, we also believe that our capital resources, business operations and financial results would allow us to seek a full or partial refinancing or other appropriate modification of the current notes payable, such as an extension or conversion to equity, if we deem necessary or desirable. However, our ability to obtain additional capital, or to modify our existing debt arrangements, when needed or desired, will depend on many factors, including general economic and market conditions, our operating performance and investor and lender sentiment, and thus cannot be assured.

Indebtedness

As of December 31, 2024, our outstanding long-term indebtedness consisted of the 2022 Notes issued to accredited investors on April 1, 2022, with an aggregate outstanding principal balance of $1,339,500 and accrued interest of $0.

Capital Expenditures

We anticipate capital expenditures in the range of $350,000 to $450,000 for 2025, although there were no material commitments for capital expenditures at December 31, 2024. This is slightly higher than recent years as we continue to enhance our security environment.

Cash Provided by Operating Activities.

From our inception, we have generated revenues from the sales, implementation, subscriptions, and maintenance of our internally generated software applications, as well as significantly increased revenues from document conversion services beginning in 2020. Our uses of cash from operating activities include compensation and related costs, hardware costs, rent for our corporate offices and warehouses, hosting fees for our cloud-based software services, other general corporate expenditures, and travel costs to client sites.

The majority of our software as a service revenues and our maintenance support services revenues are annual contracts which are generally invoiced and collected at the beginning of each renewal period. Of these annual renewals, we experience seasonality favoring the third quarter each year, due to governmental entity preferences for a July to June annual period. Accordingly, our cash collections are largest in the third quarter, and our deferred revenues are generally correspondingly at their highest during that period as well.

Net cash provided by operating activities during 2024 was $3,858,160, primarily attributable to the net loss adjusted for non-cash expenses of $2,840,747, a decrease in operating assets of $812,924 and an increase in operating liabilities of $750,704. Net cash provided by operating activities during 2023 was $784,659, primarily attributable to the net income adjusted for non-cash expenses of $1,955,715, an increase in operating assets of $1,669,780 and a decrease in operating liabilities of $20,542.

Cash Used in Investing Activities.

Net cash used in investing activities in 2024 was $827,773, including purchases of property and equipment of $439,203, which included server upgrades, and $388,570 in capitalized internal use software. Net cash used in investing activities in 2023 was $548,077, primarily $436,837 in capitalized internal use software.

Cash Used in Provided by and Financing Activities.

Net cash used in financing activities during 2024 amounted to $1,625,000 in repayment of notes payable and $61,874 in payments for the principal portion of finance lease liabilities, as well as $69,525 in payments to taxing authorities in connection with shares directly withheld from employees. Net cash used in financing activities during 2023 amounted to $700,000 in earnout liability payments, $980,450 in repayment of notes payable, $34,954 in payments for the principal portion of finance lease liabilities, and $2,411 in other net changes in finance lease assets and liabilities.

Critical Accounting Policies and Estimates

These critical accounting policies and estimates made by management should be read in conjunction with Note 3 *Summary of Significant Accounting Policies* to the Consolidated Financial Statements.

The preparation of our consolidated financial statements in accordance GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses in the reporting period. We monitor and analyze these items for changes in facts and circumstances, and material changes in these estimates could occur in the future. We base our estimates and assumptions on current facts, historical experience and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. Changes in estimates are reflected in reported results for the period in which they become known. The actual results experienced by us may differ materially from our estimates. To the extent there are material differences between our estimates and the actual results, our future results of operations will be affected.

We consider the following accounting policies and estimates to be both those most important to the portrayal of our financial condition and those that require the most subjective judgment:

- Revenue Recognition
- Business Acquisition, Goodwill and Intangibles, including Contingent Liability—Earnout
- Accounts Receivable, Unbilled
- Deferred Revenues
- Accounting for Costs of Computer Software to be Sold, Leased or Marketed and Accounting for Internal Use Software
- Accounting Stock-Based Compensation

Revenue Recognition

In accordance with ASC 606, "Revenue From Contracts With Customers," we follow a five-step model to assess each contract of a sale or service to a customer: identify the legally binding contract, identify the performance obligations, determine the transaction price, allocate the transaction price, and determine whether revenue will be recognized at a point in time or over time. Revenue is recognized when a performance obligation is satisfied and the customer obtains control of promised goods and services. The amount of revenue recognized reflects the consideration to which we expect to be entitled to receive in exchange for these goods and services. In addition, ASC 606 requires disclosures of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

Our contracts with customers often contain multiple performance obligations. For these contracts, we account for individual performance obligations separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative standalone selling price ("SSP") basis. We determine the SSP based on an observable standalone selling price when it is available, as well as other factors, including, the price charged to customers, our discounting practices, and our overall pricing objectives, while maximizing observable inputs. In situations where pricing is highly variable or uncertain, we estimate the SSP using a residual approach.

Revenue from on-premises licenses is recognized upfront upon transfer of control of the software, which occurs at delivery, or when the license term commences, if later. We recognize revenue from maintenance contracts ratably over the service period. Cloud services revenue is recognized ratably over the cloud service term. Training, professional services, and storage and retrieval services are provided either on a time and material basis, in which revenues are recognized as services are delivered, or over a contractual term, in which revenues are recognized ratably. With respect to contracts that include customer acceptance provisions, we recognize revenue upon customer acceptance. Our policy is to record revenues net of any applicable sales, use or excise taxes.

Payment terms and conditions vary by contract type, although our terms generally include a requirement of payment within 30 to 60 days. We assess whether payment terms are customary or extended in accordance with normal practice relative to the market in which the sale is occurring. In instances where the timing of revenue recognition differs from the timing of payment, we have determined our contracts do not include a significant financing component. The primary purpose of our invoicing terms is to provide customers with simplified and predictable ways of purchasing our products and services, not to receive financing from our customers or to provide customers with financing.

We generally do not offer rights of return or any other incentives such as concessions, product rotation, or price protection and, therefore, do not provide for or make estimates of rights of return and similar incentives.

We establish allowances for doubtful accounts when available information causes us to believe that credit loss is probable.

Business Acquisition, Goodwill and Intangibles Assets, including Contingent Liability—Earnout

We have allocated the purchase price to assets acquired and liabilities assumed based on the estimated fair value of such assets and liabilities at the date of acquisition. We estimate a fair value of any earnout which would be owed to the seller based on the terms of the earnout and record this liability at the acquisition date. Fair value was based on future projections of metrics such as revenue or profit over the earnout period and valuation techniques that utilize expected volatility, threshold probability, and discounting of future payments. Evaluating the fair value involves a high degree of assumptions used within the valuation models, in particular, forecasts of projected revenues or margins. Changes in these assumptions could have a significant impact on the fair value of the earnout liabilities.

The carrying value of goodwill is not amortized, but it tested for impairment annually as of December 31, as well as on an interim basis whenever events or changes in circumstances indicate that the carrying amount of a reporting unit may not be recoverable. An impairment charge is recognized for the amount by which the carrying amount exceeds the recorded fair value. All intangible assets have finite lives and are stated at cost, net of amortization. Amortization is computed over the useful life of the related assets on a straight-line method.

For the twelve months ended December 31, 2023, we recorded a change in fair value of earnout liabilities for both Graphic Sciences and CEO Image. The assumptions were updated to reflect the improved performance of both acquisitions against their threshold targets, a reduction of pandemic-related uncertainty, and the decreasing impact of time value of money. In December 2022, an amendment to the Graphic Sciences stock purchase agreement was signed, which accelerated the timing of the final Graphic Sciences earnout payment and set the amount at $700,000. This amount was paid on January 3, 2023.

Accounts Receivable, Unbilled

We recognize professional services revenue over time as the services are delivered using an input or output method (e.g., labor hours incurred as a percentage of total labor hours budgeted, images scanned, or similar milestones), as appropriate for the contract, provided all other revenue recognition criteria are met. When our revenue recognition policies recognize revenue that has not yet been billed, we record those contract asset amounts in accounts receivable, unbilled.

Deferred Revenues

Amounts that have been invoiced are recognized in accounts receivable, deferred revenue or revenue, depending on whether the revenue recognition criteria have been met. Deferred revenue represents amounts billed for which revenue has not yet been recognized. Deferred revenues typically relate to maintenance and software-as-a-service agreements which have been paid for by customers prior to the performance of those services, and payments received for professional services and license arrangements and software-as-a-service performance obligations that have been deferred until fulfilled under our revenue recognition policy.

Accounting for Costs of Computer Software to be Sold, Leased or Marketed and Accounting for Internal Use Software

We design, develop, test, market, license, and support new software products and enhancements of current products. We continuously monitor our software products and enhancements to remain compatible with standard platforms and file formats. In accordance with ASC 985-20 "Costs of Software to be Sold, Leased or Otherwise Marketed," we expense software development costs, including costs to develop software products or the software component of products to be sold, leased, or marketed to external users, before technological feasibility is reached. Once technological feasibility has been established, certain software development costs incurred during the application development stage are eligible for capitalization. Based on our software development process, technical feasibility is established upon completion of a working model. Technological feasibility is typically reached shortly before the release of such products. No such costs were capitalized during the periods presented in this report.

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 costs in the amount of $388,570 were capitalized during 2024. Such costs in the amount of $436,837 were capitalized during 2023.

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.

Stock-Based Compensation

We maintain three stock-based compensation plans. We account for stock-based payments to employees and directors in accordance with ASC 718, "Compensation - Stock Compensation." Stock-based payments to employees include grants of stock that are recognized in the consolidated statements of income based on their fair values at the date of grant. We account for stock-based payments to non-employees in accordance with ASC 718, "Compensation - Stock Compensation," which requires that such equity instruments are recorded at their fair value on the grant date.

The grant date fair value of stock option awards is recognized in earnings as stock-based compensation cost over the requisite service period of the award using the straight-line attribution method. We estimate the fair value of the stock option awards using the Black-Scholes-Merton option pricing model. The exercise price of options is specified in the stock option agreements. The expected volatility is based on the historical volatility of our stock for the previous period equal to the expected term of the options. The expected term of options granted is based on the midpoint between the vesting date and the end of the contractual term. The risk-free interest rate is based upon a U.S. Treasury instrument with a life that is similar to the expected term of the options. The expected dividend yield is based upon the yield expected on date of grant to occur over the term of the option.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable to smaller reporting companies.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

(1) Consolidated Financial Statements.

(2) Consolidated Financial Statement Schedules.

Consolidated Financial Statement Schedules have been omitted because they are either not required or not applicable, or because the information required to be presented is included in the consolidated financial statements or the notes thereto included in this report.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors
Intellinetics, Inc. and Subsidiaries
Columbus, Ohio

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Intellinetics, Inc. and Subsidiaries (the “Company”) as of December 31, 2024 and 2023, the related consolidated statements of operations, stockholders’ equity, and cash flows for the years then ended, and related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

/s/ GBQ Partners LLC

We have served as the Company’s auditor since 2012.
Columbus, Ohio
March 24, 2025

INTELLINETICS, INC. and SUBSIDIARIES
Consolidated Balance Sheets

	December 31, 2024	December 31, 2023
ASSETS		
Current assets:		
Cash	$ 2,489,236	$ 1,215,248
Accounts receivable, net	1,111,504	1,850,375
Accounts receivable, unbilled	1,296,524	1,320,837
Parts and supplies, net	100,561	110,272
Contract assets	139,696	140,165
Prepaid expenses and other current assets	337,035	367,478
Total current assets	5,474,556	5,004,375
Property and equipment, net	1,093,867	924,257
Right of use assets, operating	1,894,866	2,532,928
Right of use assets, finance	237,741	219,777
Intangible assets, net	3,399,029	3,909,338
Goodwill	5,789,821	5,789,821
Other assets	685,076	645,764
Total assets	$ 18,574,956	$ 19,026,260
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 310,623	$ 194,454
Accrued compensation	493,700	337,884
Accrued expenses	172,421	164,103
Lease liabilities, operating - current	842,468	712,607
Lease liabilities, finance - current	69,261	49,926
Deferred revenues	3,411,852	2,927,808
Notes payable - current	781,936	-
Notes payable - related party - current	515,512	-
Total current liabilities	6,597,773	4,386,782
Long-term liabilities:		
Notes payable	-	2,209,242
Notes payable - related party	-	560,602
Lease liabilities, operating - net of current portion	1,161,404	1,942,970
Lease liabilities, finance - net of current portion	184,024	175,943
Total long-term liabilities	1,345,428	4,888,757
Total liabilities	7,943,201	9,275,539
Stockholders' equity:		
Common stock, $0.001 par value, 25,000,000 shares authorized; 4,249,735 and 4,113,621 shares issued and outstanding at December 31, 2024 and 2023, respectively	4,250	4,114
Additional paid-in capital	32,268,743	30,841,630
Accumulated deficit	(21,641,238)	(21,095,023)
Total stockholders' equity	10,631,755	9,750,721
Total liabilities and stockholders' equity	$ 18,574,956	$ 19,026,260

See Notes to these Consolidated financial statements

INTELLINETICS, INC. and SUBSIDIARIES
Consolidated Statements of Operations

	For the Twelve Months Ended December 31,	
	2024	**2023**
Revenues:		
Sale of software	$ 32,946	$ 100,260
Software as a service	5,688,936	5,133,215
Software maintenance services	1,410,387	1,407,064
Professional services	9,985,028	9,167,428
Storage and retrieval services	901,076	1,078,414
Total revenues	18,018,373	16,886,381
Cost of revenues:		
Sale of software	8,486	25,736
Software as a service	856,774	889,135
Software maintenance services	57,667	59,373
Professional services	5,222,517	4,992,826
Storage and retrieval services	348,003	355,356
Total cost of revenues	6,493,447	6,322,426
Gross profit	11,524,926	10,563,955
Operating expenses:		
General and administrative	8,166,567	6,455,088
Sales and marketing	2,403,251	2,026,871
Depreciation and amortization	1,128,613	974,527
Total operating expenses	11,698,431	9,456,486
(Loss) income from operations	(173,505)	1,107,469
Interest expense, net	(372,710)	(588,203)
Net (loss) income	$ (546,215)	$ 519,266
Basic net (loss) income per share:	$ (0.13)	$ 0.13
Diluted net (loss) income per share:	$ (0.13)	$ 0.11
Weighted average number of common shares outstanding - basic	4,201,401	4,074,194
Weighted average number of common shares outstanding - diluted	4,201,401	4,652,058

See Notes to these Consolidated financial statements

INTELLINETICS, INC. and SUBSIDIARIES
Consolidated Statement of Stockholders' Equity
For the Twelve Months Ended December 31, 2024 and 2023

	Common Stock		Additional Paid-in	Accumulated	
	Shares	Amount	Capital	Deficit	Total
Balance, December 31, 2022	4,073,757	$ 4,074	$ 30,179,017	$ (21,614,289)	$ 8,568,802
Stock Issued to Directors	39,864	40	198,084	-	198,124
Stock option compensation	-	-	464,529	-	464,529
Net income	-	-	-	519,266	519,266
Balance, December 31, 2023	4,113,621	$ 4,114	$ 30,841,630	$ (21,095,023)	$ 9,750,721
Balance, December 31, 2023	4,113,621	$ 4,114	$ 30,841,630	$ (21,095,023)	$ 9,750,721
Stock option compensation	-	-	690,819	-	690,819
Stock option exercise	18,929	19	(19)	-	-
Restricted share issuance	117,185	117	736,313	-	736,430
Net loss	-	-	-	(546,215)	(546,215)
Balance, December 31, 2024	4,249,735	$ 4,250	$ 32,268,743	$ (21,641,238)	$ 10,631,755

See Notes to these Consolidated financial statements

INTELLINETICS, INC. and SUBSIDIARIES
Consolidated Statements of Cash Flows

	For the Twelve Months Ended December 31, 2024	2023
Cash flows from operating activities:		
Net (loss) income	$ (546,215)	$ 519,266
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	1,128,613	974,527
Bad debt (recovery) expense	(9,117)	77,211
Loss on disposal of fixed assets	547	-
Amortization of deferred financing costs	152,604	177,164
Amortization of debt discount	-	22,045
Amortization of right of use assets, financing	71,326	42,115
Stock issued for services	-	198,124
Share-based compensation	1,496,774	464,529
Changes in operating assets and liabilities:		
Accounts receivable	747,988	(806,503)
Accounts receivable, unbilled	24,313	(724,427)
Parts and supplies	9,711	(37,051)
Prepaid expenses and other current assets	30,912	(101,799)
Accounts payable and accrued expenses	280,303	(200,444)
Operating lease assets and liabilities, net	(13,643)	6,158
Deferred revenues	484,044	173,744
Total adjustments	4,404,375	265,393
Net cash provided by operating activities	3,858,160	784,659
Cash flows from investing activities:		
Capitalization of internal use software	(388,570)	(436,837)
Purchases of property and equipment	(439,203)	(111,240)
Net cash used in investing activities	(827,773)	(548,077)
Cash flows from financing activities:		
Payment of earnout liabilities	-	(700,000)
Other net changes in finance lease assets and liabilities	-	(2,411)
Principal payments on financing lease liability	(61,874)	(34,954)
Payments to taxing authorities in connection with shares directly withheld from employees	(69,525)	-
Repayment of notes payable	(1,307,169)	(980,450)
Repayment of notes payable - related parties	(317,831)	-
Net cash used in financing activities	(1,756,399)	(1,717,815)
Net increase (decrease) in cash	1,273,988	(1,481,233)
Cash - beginning of period	1,215,248	2,696,481
Cash - end of period	$ 2,489,236	$ 1,215,248
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	$ 258,646	$ 418,790
Cash paid during the period for income taxes	$ 20,259	$ 21,667
Supplemental disclosure of non-cash financing activities:		
Right-of-use asset obtained in exchange for finance lease liability	$ 89,289	$ 107,610

See Notes to these Consolidated financial statements

1. Business Organization and Nature of Operations

Intellinetics, Inc., formerly known as GlobalWise Investments, Inc., is a Nevada corporation incorporated in 1997, with two wholly-owned subsidiaries: Intellinetics Ohio and Graphic Sciences. Intellinetics Ohio was incorporated in 1996, and on February 10, 2012, Intellinetics Ohio became our sole operating subsidiary as a result of a reverse merger and recapitalization. On March 2, 2020, we purchased all the outstanding capital stock of Graphic Sciences.

Our digital transformation products and services are provided through two reporting segments: Document Management and Document Conversion. Our Document Management segment, which includes the Yellow Folder assets acquired in April 2022 and the CEO Image asset acquired in April 2020, consists primarily of solutions involving our software platform, allowing customers to capture and manage their documents across operations such as scanned hard-copy documents and digital documents including those from Microsoft Office 365, digital images, audio, video and emails. Our Document Conversion segment, which includes and primarily consists of the Graphic Sciences acquisition, provides assistance to customers as a part of their overall document strategy to convert documents from one medium to another, predominantly paper to digital, including migration to our software solutions, as well as long-term storage and retrieval services. Our solutions create value for customers by making it easy to connect business-critical documents to the people who need them by making those documents easy to find and access, while also being secure and compliant with the customers' audit requirements. Solutions are sold both directly to end-users and through resellers.

2. Basis of Presentation

The accompanying audited consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles ("GAAP"). We have evaluated subsequent events through the issuance of this Form 10-K.

3. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements accompanying these notes include the accounts of Intellinetics and the accounts of all its subsidiaries in which it holds a controlling interest. Under GAAP, consolidation is generally required for investments of more than 50% of the outstanding voting stock of an investee, except when control is not held by the majority owner. We have two subsidiaries: Intellinetics Ohio and Graphic Sciences. We consider the criteria established under Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") 810, "Consolidations" in the consolidation process. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions. Such estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses. By their nature, these estimates and assumptions are subject to an inherent degree of uncertainty. The impact of inflation, as well as COVID-19, has significantly increased economic and demand uncertainty. Because future events and their effects cannot be determined with precision, actual results could differ significantly from estimated amounts.

Significant estimates and assumptions include credit loss allowances related to receivables, accounts receivable -unbilled, the recoverability of long-term assets, depreciable lives of property and equipment, fair value for goodwill and intangibles, right-of-use assets and lease liabilities, estimates of fair value deferred taxes and related valuation allowances. Our management monitors these risks and assesses our business and financial risks on a quarterly basis.

Revenue Recognition

In accordance with ASC 606, "Revenue From Contracts With Customers," we follow a five-step model to assess each contract of a sale or service to a customer: identify the legally binding contract, identify the performance obligations, determine the transaction price, allocate the transaction price, and determine whether revenue will be recognized at a point in time or over time. Revenue is recognized when a performance obligation is satisfied and the customer obtains control of promised goods and services. The amount of revenue recognized reflects the consideration to which we expect to be entitled to receive in exchange for these goods and services. In addition, ASC 606 requires disclosures of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

We categorize revenue as software, software as a service, software maintenance services, professional services, and storage and retrieval services. We earn the majority of our revenue from the sale of professional services, followed by the sale of software maintenance services and software as a service. We apply our revenue recognition policies as required in accordance with ASC 606 based on the facts and circumstances of each category of revenue.

a) Sale of software

Revenues included in this classification typically include sales of licenses with professional services to new customers, additional software licenses to existing customers, and sales of software with or without services to our resellers (See section j) - Reseller Agreements, below. Our software licenses are functional intellectual property and typically provide customers with the right to use our software in perpetuity as it exists when made available to the customer. We recognize revenue from software licenses at a point in time upon delivery, provided all other revenue recognition criteria are met.

b) Sale of software as a service

Sale of software as a service ("SaaS") consists of revenues from arrangements that provide customers the use of our software applications, as a service, typically billed on a monthly or annual basis. Advance billings of these services are not recorded to the extent that the term of the arrangement has not commenced and payment has not been received. Revenue on these services is recognized over the contract period.

c) Sale of software maintenance services

Software maintenance services revenues consist of revenues derived from arrangements that provide post-contract support ("PCS"), including software support and bug fixes, to our software license holders. Advance billings of PCS are not recorded to the extent that the term of the PCS has not commenced and payment has not been received. PCS are considered distinct services. However, these distinct services are considered a single performance obligation consisting of a series of services that are substantially the same and have the same pattern of transfer to the customer. These revenues are recognized over the term of the maintenance contract.

d) Sale of professional services

Professional services revenues consist of revenues from document scanning and conversion services, consulting, discovery, training, and advisory services to assist customers with document management needs, as well as repair and maintenance services for customer equipment. We recognize professional services revenue over time as the services are delivered using an input or output method (e.g., labor hours incurred as a percentage of total labor hours budgeted, images scanned, or similar milestones), as appropriate for the contract, provided all other revenue recognition criteria are met.

e) Sale of storage and retrieval services

Sale of document storage and retrieval services consist principally of secured warehouse storage of customer documents, which are typically retained for many years, as well as retrieval per agreement terms and certified destruction if desired. We recognize revenue from document storage and retrieval services over the term of the contract for storage and for the retrieval and destructions components, as the services are delivered. Customers are generally billed monthly based upon contractually agreed-upon terms.

f) Arrangements with multiple performance obligations

In addition to selling software licenses, software as a service, software maintenance services, professional services, and storage and retrieval services on a stand-alone basis, a portion of our contracts include multiple performance obligations. For contracts with multiple performance obligations, we allocate the transaction price of the contract to each distinct performance obligation, on a relative basis using its standalone selling price. We determine the standalone selling price based on the price charged for the deliverable when sold separately.

g) Contract balances

When the timing of our delivery of goods or services is different from the timing of payments made by customers, we recognize either a contract asset (performance precedes contractual due date) or a contract liability (customer payment precedes performance). Customers that prepay are represented by deferred revenue until the performance obligation is satisfied. Contract assets represent arrangements in which the good or service has been delivered but payment is not yet due. Our contract assets consisted of accounts receivable, unbilled, which are disclosed on the consolidated balance sheets, as well as contract assets which are comprised of employee sales commissions paid in advance of contract periods ending. Our contract liabilities consisted of deferred (unearned) revenue, which is generally related to software as a service or software maintenance contracts. We classify deferred revenue as current based on the timing of when we expect to recognize revenue, which are disclosed on the consolidated balance sheets.

The following tables present changes in our accounts receivable and contract assets during the years ended December 31, 2024, and 2023:

	Balance at Beginning of Period	Billings	Payments Received	Balance at End of Period
Year ended December 31, 2024				
Accounts receivable	$ 1,850,375	$ 18,712,905	$ (19,451,776)	$ 1,111,504
Year ended December 31, 2023				
Accounts receivable	$ 1,121,083	$ 16,389,136	$ (15,659,844)	$ 1,850,375

	Balance at Beginning of Period	Revenue Recognized in Advance of Billings	Billings	Balance at End of Period
Year ended December 31, 2024				
Accounts receivable, unbilled	$ 1,320,837	$ 5,812,863	$ (5,837,176)	$ 1,296,524
Year ended December 31, 2023				
Accounts receivable, unbilled	$ 596,410	$ 5,195,866	$ (4,471,439)	$ 1,320,837

	Balance at Beginning of Period	Commissions Paid	Commissions Recognized	Balance at End of Period
Year ended December 31, 2024				
Other contract assets	$ 140,165	$ 173,417	$ (173,886)	$ 139,696
Year ended December 31, 2023				
Other contract assets	$ 80,378	$ 194,455	$ (134,668)	$ 140,165

h) Deferred revenue

Amounts that have been invoiced are recognized in accounts receivable, deferred revenue or revenue, depending on whether the revenue recognition criteria have been met. Deferred revenue represents amounts billed for which revenue has not yet been recognized. Deferred revenues typically relate to maintenance and software as a service agreements which have been paid for by customers prior to the performance of those services, and payments received for professional services and license arrangements and software as a service performance obligations that have been deferred until fulfilled under our revenue recognition policy.

Remaining performance obligations represent the transaction price from contracts for which work has not been performed or goods and services have not been delivered. We expect to recognize revenue on approximately 99% of the remaining performance obligations over the next 12 months, with the remainder recognized thereafter. As of December 31, 2024, the aggregate amount of the transaction price allocated to remaining performance obligations for software as a service and software maintenance contracts with a duration greater than one year was $44,971. As of December 31, 2023, the aggregate amount of the transaction price allocated to remaining performance obligations for software as a service and software maintenance contracts with a duration greater than one year was $72,212. This does not include revenue related to performance obligations that are part of a contract whose original expected duration is one year or less.

The following table presents changes in our contract liabilities during the years ended December 31, 2024 and 2023:

	Balance at Beginning of Period	Billings	Recognized Revenue	Balance at End of Period
Year ended December 31, 2024				
Contract liabilities: Deferred revenue	$ 2,927,808	$ 8,071,221	$ (7,587,177)	$ 3,411,852
Year ended December 31, 2023				
Contract liabilities: Deferred revenue	$ 2,754,064	$ 7,808,195	$ (7,634,451)	$ 2,927,808

i) Rights of return and customer acceptance

We do not generally offer variable consideration, financing components, rights of return or any other incentives such as concessions, product rotation, or price protection and, therefore, does not provide for or make estimates of rights of return and similar incentives. Our contracts with customers generally do not include customer acceptance clauses.

j) Reseller agreements

We execute certain sales contracts through resellers. We recognize revenues relating to sales through resellers when all the recognition criteria have been met including passing of control. In addition, we assess the credit-worthiness of each reseller, and if the reseller is undercapitalized or in financial difficulty, any revenues expected to emanate from such resellers are deferred and recognized only when cash is received and all other revenue recognition criteria are met.

k) Contract costs

We capitalize the incremental costs of obtaining a contract with a customer. We have determined that certain sales commissions meet the requirement to be capitalized, and we amortize these costs on a consistent basis with the pattern of transfer of the goods and services in the contract. Total capitalized costs to obtain contracts are included in contract assets on our consolidated balance sheets.

l) Sales taxes

Sales taxes charged to and collected from customers as part of our sales transactions are excluded from revenues, as well as the determination of transaction price for contracts with multiple performance obligations, and recorded as a liability to the applicable governmental taxing authority.

m) Disaggregation of revenue

We provide disaggregation of revenue based on product groupings in our consolidated statements of income as we believe this best depicts how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. Revenues from contracts are primarily within the United States. International revenues were not material to the consolidated financial statements for the years ended December 31, 2024 and 2023.

n) Significant financing component

Our customers typically do not pay in advance for goods or services to be transferred in excess of one year. As such, it is not necessary to determine if we benefit from the time value of money and should record a component of interest income related to the upfront payment due to the practical expedient of ASC 606-10-32-18.

Concentrations of Credit Risk

We maintain our cash with high credit quality financial institutions. At times, our cash and cash equivalents may be uninsured or in deposit accounts that exceed the Federal Deposit Insurance Corporation insurance limit.

We do not generally require collateral or other security to support customer receivables; however, we may require customers to provide retainers, up-front deposits or irrevocable letters-of-credit when considered necessary to mitigate credit risks. We estimate a current estimated credit losses (“CECL”) for accounts receivable and accounts receivable-unbilled. The CECL for receivables are estimated based on the receivable aging category, credit risk of specific customers, past collection history, and management’s evaluation of collectability. Provisions for CECL are classified within selling, general and administrative costs.

Upon the adoption of FASB ASU No. 2016-13 (CECL model) effective January 1, 2023, Intellinetics, Inc. has revised its methodology for estimating expected credit losses on financial instruments, specifically trade receivables. This model requires the recognition of lifetime expected credit losses at each reporting date, considering past events, current conditions, and reasonable forecasts. In assessing the credit quality of our portfolio, management utilizes a provision matrix that classifies trade receivables by customer type and age of receivable. Government and education sector receivables carry a low risk, while a higher risk is attributed to the remaining receivables as their aging progresses. For receivables with questionable collectability, a specific reserve is assigned. The estimated credit losses are a reflection of these factors, with the matrix applying percentages to the receivables based on their risk profile, adjusted for current and expected future conditions.

During the reporting period, the estimate of credit losses may change due to several factors including payment patterns of customers, changes in customer creditworthiness, and broader economic conditions. Such changes are captured in the financial statements to ensure they accurately reflect the company’s assessment of credit risk and expected losses at the end of each reporting period. Credit losses have been within management’s expectations. At December 31, 2024 and 2023, our allowance for credit losses was $55,907 and $124,103, respectively.

Changes in the allowance for credit losses for the periods ended December 31, 2024 and 2023 were as follows:

		Trade Receivables
As of December 31, 2023	$	(124,103)
Reductions (provisions) charged to operating results	$	9,117
Account write-offs	$	59,079
As of December 31, 2024	$	(55,907)

		Trade Receivables
As of December 31, 2022	$	(88,331)
(Provisions) reductions charged to operating results	$	(50,018)
Account write-offs	$	14,246
As of December 31, 2023	$	(124,103)

Parts and Supplies

Parts and supplies are valued at the lower of cost or net realizable value. Costs are determined using the first-in, first-out method. Parts and supplies are used for scanning and document conversion services. A provision for potentially obsolete or slow-moving parts and supplies inventory is made based on parts and supplies levels, future sales forecasted and management’s judgment of potentially obsolete parts and supplies. We recorded an allowance of $61,500 at December 31, 2024 and 2023.

Property and Equipment

Property, equipment and leasehold improvements are stated at cost less accumulated depreciation. Depreciation is computed over the estimated useful lives of the related assets on a straight-line basis. Furniture and fixtures, computer hardware and purchased software are depreciated over three to seven years. Leasehold improvements are amortized over the life of the lease or the asset, whichever is shorter, generally seven to ten years. Upon retirement or other disposition of these assets, the cost and related accumulated depreciation and amortization of these assets are removed from the accounts and the resulting gains and losses are reflected in the results of operations.

Intangible Assets

All intangible assets have finite lives and are stated at cost, net of amortization. Amortization is computed over the useful life of the related assets on a straight-line method.

Goodwill

The carrying value of goodwill is not amortized, but is tested for impairment annually as of December 31, as well as on an interim basis whenever events or changes in circumstances indicate that the carrying amount of a reporting unit may not be recoverable. An impairment charge is recognized for the amount by which the carrying amount exceeds the recorded fair value.

Impairment of Long-Lived Assets

We account for the impairment and disposition of long-lived assets in accordance with ASC 360, “Property, Plant, and Equipment.” We test long-lived assets or asset groups, such as property and equipment, for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable.

Circumstances which could trigger a review include, but are not limited to: significant adverse changes in the business climate or legal factors; current period cash flow or operating losses combined with a history of losses or a forecast of continuing losses associated with the use of the asset; and a current expectation that the asset will more likely than not be sold or disposed of before the end of its estimated useful life.

Recoverability is assessed based on comparing the carrying amount of the asset to the aggregate pre-tax undiscounted cash flows expected to result from the use and eventual disposal of the asset or asset group. Impairment is recognized when the carrying amount is not recoverable and exceeds the fair value of the asset or asset group. The impairment loss, if any, is measured as the amount by which the carrying amount exceeds fair value, which for this purpose is based upon the discounted projected future cash flows of the asset or asset group. There was no impairment of long lived assets in the twelve month periods ended 2024 or 2023.

Leases

We determine if an arrangement is a lease at inception. Operating leases in which we are the lessee are included in operating lease right-of-use ("ROU") assets and operating lease liabilities in the consolidated balance sheets. Finance leases in which we are the lessee are included in finance lease right-of-use ("ROU") assets and finance lease liabilities in the consolidated balance sheets. We do not have any leases for which we are the lessor.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the reasonably certain lease term. As our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. We use the implicit rate when readily determinable. The operating lease ROU asset also includes any lease payments made and reduced by lease incentives, such as tenant improvement allowances. Our lease terms include options to extend or terminate the lease only when it is reasonably certain that we will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Stock-Based Compensation

We account for stock-based payments in accordance with ASC 718, "Compensation - Stock Compensation," which requires that such equity instruments be measured at their fair values on the grant date. Stock-based payments to employees include grants of stock that are recognized in the consolidated statements of income based on their fair values at the date of grant.

The grant date fair value of stock option awards is recognized in earnings as stock-based compensation cost over the requisite service period of the award using the straight-line attribution method. We estimate the fair value of the stock option awards using the Black-Scholes-Merton option pricing model. The exercise price of options is specified in the stock option agreements. The expected volatility is based on the historical volatility of our stock for the previous period equal to the expected term of the options. The expected term of options granted is based on the midpoint between the vesting date and the end of the contractual term. The risk-free interest rate is based upon a U.S. Treasury instrument with a life that is similar to the expected term of the options. The expected dividend yield is based upon the yield expected on date of grant to occur over the term of the option.

Software Development Costs

We design, develop, test, market, license, and support new software products and enhancements of current products. We continuously monitor our software products and enhancements to remain compatible with standard platforms and file formats. In accordance with ASC 985-20 "Costs of Software to be Sold, Leased or Otherwise Marketed," we expense software development costs, including costs to develop software products or the software component of products to be sold, leased, or marketed to external users, before technological feasibility is reached. Once technological feasibility has been established, certain software development costs incurred during the application development stage are eligible for capitalization. Based on our software development process, technical feasibility is established upon completion of a working model. Technological feasibility is typically reached shortly before the release of such products. No such costs were capitalized during the periods presented in this report.

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 costs in the amount of $388,570 were capitalized during 2024. Such costs in the amount of $436,837 were capitalized during 2023.

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. At December 31, 2024 and 2023, our consolidated balance sheets included $670,292 and $630,979, respectively, in other long-term assets.

For the years ended December 31, 2024, and 2023, our expensed software development costs were $690,926 and $558,976, respectively.

Recently Adopted Accounting Pronouncements

In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* ("ASU 2023-07"). ASU 2023-07 requires disclosure of significant segment expenses that are regularly provided to the chief operating decision maker ("CODM") and included within each reported measure of segment profit or loss, an amount and description of its composition for other segment items to reconcile to segment profit or loss, and the title and position of the entity's CODM. The amendments in this update also expand the interim segment disclosure requirements. ASU 2023-07 became effective for us for the fiscal year ending December 31, 2024 and we applied the amendments retrospectively to all prior periods presented in our consolidated financial statements. See the Segment Information section of this Note 3 to our Consolidated Financial Statements for more information regarding our reportable segments.

Recently Issued Accounting Pronouncements Not Yet Effective

In December 2023, the FASB issued ASU 2023-09, Improvements to Income Tax Disclosures, which amends the guidance in ASC 740, Income Taxes. The ASU is intended to improve the transparency of income tax disclosures by requiring (1) consistent categories and greater disaggregation of information in the rate reconciliation and (2) income taxes paid disaggregated by jurisdiction. It also includes certain other amendments to improve the effectiveness of income tax disclosures. The ASU's amendments are effective for public business entities for annual periods beginning after December 15, 2024. Entities are permitted to early adopt the standard "for annual financial statements that have not yet been issued or made available for issuance." We are currently evaluating the impact of this ASU but do not expect any material impact upon adoption.

There are no other accounting standards that have been issued but not yet adopted that we believe could have a material impact on our consolidated financial statements.

Advertising

We expense the cost of advertising as incurred. Advertising expense for the years ended December 31, 2024 and 2023 amounted to $70,242 and $26,404, respectively.

Earnings Per Share

Basic income or loss per share is computed by dividing net income or loss by the weighted average number of shares of common stock outstanding during the period. Diluted income or loss per share is computed by dividing net income or loss by the diluted weighted average number of shares of common stock outstanding during the period. The diluted weighted average number of shares gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method. Diluted earnings per share exclude all diluted potential shares if their effect is anti-dilutive, including warrants or options which are out-of-the-money and for those periods with a net loss.

We have outstanding warrants and stock options which have not been included in the calculation of diluted net loss per share for the twelve months ended December 31, 2024 because to do so would be anti-dilutive. As such, the numerator and the denominator used in computing both basic and diluted net loss per share for those periods are the same.

Income Taxes

We file a consolidated federal income tax return with our subsidiaries. The provision for income taxes is computed by applying statutory rates to income before taxes.

We account for uncertainty in income taxes in our financial statements as required under 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 us in our tax returns.

Deferred income taxes are recognized for the tax consequences in future years of temporary differences between the financial reporting and tax bases of assets and liabilities as of each period-end based on enacted tax laws and statutory rates. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. A 100% valuation allowance has been established on deferred tax assets at December 31, 2024 and 2023, due to the uncertainty of our ability to realize future taxable income.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities are presented below:

	December 31, 2024	December 31, 2023
Deferred tax assets		
Reserves and accruals not currently deductible for tax purposes	$ 133,774	$ 69,676
Amortizable assets	292,663	109,612
Net operating loss carryforwards	4,508,013	4,771,762
	4,934,450	4,951,050
Deferred tax liabilities		
Amortizable assets	(192,663)	(197,579)
Property and equipment	(222,140)	(214,698)
Net deferred tax assets	4,519,647	4,538,773
Valuation allowance	(4,519,647)	(4,538,773)
	$ -	$ -

As of December 31, 2024 and 2023, we had federal net operating loss carry forwards, which can be utilized to offset future federal income tax of approximately $15.8 million and $16.0 million, respectively. Section 382 of the Internal Revenue Code limits the utilization of net operating losses during certain ownership changes. We have performed an analysis of our ownership changes and have determined that approximately $7.2 million of our net operating losses are subject to an annual limitation. We do not expect that Section 382 will limit the utilization of the net operating loss carry forwards in 2024. A portion of the federal and state net operating loss carry forwards expire at various dates through 2037, and a portion of the net operating loss carry forwards have an indefinite carry forward period. We recorded a valuation allowance against all of our deferred tax assets as of both December 31, 2024 and 2023. We intend to continue maintaining a full valuation allowance on our deferred tax assets until there is sufficient evidence to support the reversal of all or some portion of these allowances. Release of the valuation allowance would result in the recognition of certain deferred tax assets and a decrease to income tax expense for the period the release is recorded. However, the exact timing and amount of the valuation allowance release are subject to change on the basis of the level of profitability that we are able to actually achieve.

Segment Information

Operating segments are defined in the criteria established under ASC 280, “Segment Reporting,” as components of public entities that engage in business activities from which they may earn revenues and incur expenses for which separate financial information is available and which is evaluated regularly by our chief operating decision maker (“CODM”) in deciding how to assess performance and allocate resources. Our CODM, the President and Chief Executive Officer, assesses performance and allocates resources based on two operating segments: Document Management and Document Conversion.

The Document Management Segment provides cloud-based and premise-based content services software, including document management and payables automation. Its modular suite of solutions complements existing operating and accounting systems to serve a mission-critical role for organizations to make content secure, compliant, and process-ready. This segment conducts its primary operations in the United States. Markets served include highly regulated, risk and compliance-intensive markets in K-12 education, public safety, other public sector, healthcare, risk management, financial services, and others. Solutions are sold both directly to end-users and through resellers.

The Document Conversion Segment provides services for scanning and indexing, converting images from paper to digital, paper to microfilm, and microfiche to microfilm, as well as long-term physical document storage and retrieval. This segment conducts its primary operations in the United States. Markets served include businesses and state, county, and municipal governments. Solutions are sold both directly to end-users and through resellers.

These segments contain individual business components that have been combined on the basis of common management, customers, solutions offered, service processes and other economic characteristics, as well as how our CODM reviews our operating results in assessing performance and allocating resources. We currently have immaterial intersegment sales. Our CODM evaluates the performance of our segments based on revenues and gross profits. Historically, our selling, general and administrative expenses have been stable and predictable, and further, our CODM primarily considers such expenses in consolidation. Accordingly, our CODM has focused on growing the business while preserving or growing our gross margins, with revenues and gross profits evaluated by segment against targets set by management and the board of directors.

Information by operating segment is as follows:

	Year ended December 31, 2024	Year ended December 31, 2023
Revenues		
Document Management	$ 7,523,874	$ 7,298,264
Document Conversion	10,494,499	9,588,117
Total revenues	$ 18,018,373	$ 16,886,381
Cost of revenues		
Document Management	$ 978,262	$ 1,165,134
Document Conversion	5,515,185	5,157,292
Total cost of revenues	$ 6,493,447	$ 6,322,426
Gross profit		
Document Management	$ 6,545,612	$ 6,133,130
Document Conversion	4,979,314	4,430,825
Total gross profit	$ 11,524,926	$ 10,563,955
Capital additions, net		
Document Management	$ 593,471	$ 441,990
Document Conversion	234,302	106,087
Total capital additions, net	$ 827,773	$ 548,077

	December 31, 2024	December 31, 2023
Goodwill		
Document Management	$ 3,989,645	$ 3,989,645
Document Conversion	1,800,176	1,800,176
Total goodwill	$ 5,789,821	$ 5,789,821

	December 31, 2024	December 31, 2023
Total assets		
Document Management	$ 9,641,347	$ 10,104,004
Document Conversion	8,933,609	8,922,256
Total assets	$ 18,574,956	$ 19,026,260

Statement of Cash Flows

For purposes of reporting cash flows, cash includes cash on hand and demand deposits held by banks.

4. Intangible Assets, Net

At December 31, 2024, intangible assets consisted of the following:

	Estimated Useful Life	Costs	Accumulated Amortization	Net
Trade names	10 years	$ 297,000	$ (106,467)	$ 190,533
Proprietary technology	10 years	861,000	(236,775)	624,225
Customer relationships	5-15 years	4,091,000	(1,506,729)	2,584,271
		$ 5,249,000	$ (1,849,971)	$ 3,399,029

At December 31, 2023, intangible assets consisted of the following:

	Estimated Useful Life	Costs	Accumulated Amortization	Net
Trade names	10 years	$ 297,000	$ (76,767)	$ 220,233
Proprietary technology	10 years	861,000	(150,675)	710,325
Customer relationships	5-15 years	4,091,000	(1,112,220)	2,978,780
		$ 5,249,000	$ (1,339,662)	$ 3,909,338

Amortization expense for the years ended December 31, 2024 and 2023, amounted to $510,309 and $510,308, respectively. The following table represents future amortization expense for intangible assets subject to amortization.

For the Years Ending December 31	Amount
2025	$ 492,841
2026	352,441
2027	326,108
2028	309,129
2029	305,733
Thereafter	1,612,777
	$ 3,399,029

5. Fair Value Measurements

Under GAAP, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy consists of the following three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs consist of quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable and market-corroborated inputs which are derived principally from or corroborated by observable market data. Level 3 inputs are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable.

The carrying values of cash and equivalents, accounts receivable, accounts payable, and accrued expenses approximate fair value because of its short maturity. Management believes that the carrying value of the 2022 Notes approximate fair value given that, while there have been changes in the overall economic environment, including an increase in interest rates, there has not been significant net availability of credit to the Company.

We had earnout liabilities related to our two 2020 acquisitions which were measured on a recurring basis and recorded at fair value, measured using probability-weighted analysis and discounted using a rate that appropriately captures the risks associated with the obligation. The inputs used to calculate the fair value of the earnout liabilities were considered to be Level 3 inputs due to the lack of relevant market activity and significant management judgment. Key unobservable inputs included revenue growth rates, which ranged from 0% to 7%, and volatility rates, which were 20% for gross profits.

We made the final payment of our earnout liability relating to our acquisition of Graphic Sciences in the amount of $700,000 in January 2023. As of December 31, 2024 and 2023, we had no earnout liabilities.

6. Property and Equipment

Property and equipment are comprised of the following:

	December 31, 2024	December 31, 2023
Computer hardware and purchased software	$ 1,867,024	$ 1,437,023
Leasehold improvements	395,919	395,919
Furniture and fixtures	324,296	324,296
	2,587,239	2,157,238
Less: accumulated depreciation	(1,493,372)	(1,232,981)
Property and equipment, net	$ 1,093,867	$ 924,257

Total depreciation expense on our property and equipment for the years ended December 31, 2024 and 2023 amounted to $269,046 and $255,689, respectively.

7. Notes Payable – Unrelated Parties

Summary of Notes Payable to Unrelated Parties

The table below summarizes all notes payable at December 31, 2024 and 2023, respectively, other than the related party notes disclosed in Note 8 "Notes Payable - Related Parties."

	December 31, 2024	December 31, 2023
Notes payable – "2022 Unrelated Notes"	$ 807,331	$ 2,364,500
Less unamortized debt issuance costs	(25,395)	(155,258)
Less current portion	(781,936)	-
Long-term portion of notes payable	$ -	$ 2,209,242

The principal terms of the 2022 Unrelated Notes, which are subordinated notes, as of December 31, 2024 are as follows:

Issue Date	Interest Rate	Interest Due	Principal Due
April 1, 2022	12%	Quarterly	December 31, 2025

Future minimum principal payments of the Notes Payable to Unrelated Parties of $807,331 are due on December 31, 2025. As of December 31, 2024 and 2023, accrued interest for these notes payable with the exception of the related party notes in Note 8, "Notes Payable - Related Parties," was $0. As of December 31, 2024 and 2023, unamortized deferred financing costs were reflected within short term and long term liabilities, respectively, on the consolidated balance sheets, netted with the corresponding notes payable balance.

In July 2024, a principal amount of $250,000 of the 2022 Unrelated Notes were sold by the unrelated noteholder to related parties at face value. See Note 8.

With respect to all notes outstanding (other than the notes to related parties), interest expense, including the amortization of debt issuance costs and debt discount for the years ended December 31, 2024 and 2023 was $315,133 and $514,480, respectively.

2022 Unrelated Notes

On April 1, 2022, we sold $2,364,500 in 12% Subordinated Notes ("2022 Unrelated Notes") to unrelated accredited investors. Any accrued but unpaid quarterly installment of interest will accrue interest at the rate of 14.0% per annum. Any overdue principal and accrued and unpaid interest at the maturity date will accrue a mandatory default penalty of 20% of the outstanding principal balance and an interest rate of 14% per annum from the maturity date until paid in full. We used a portion of the net proceeds from the private placement offering to finance the acquisition of Yellow Folder and the remaining net proceeds for working capital and general corporate purposes.

8. Notes Payable - Related Parties

Summary of Notes Payable to Related Parties

The table below summarizes all notes payable to related parties at December 31, 2024 and 2023:

	December 31, 2024	December 31, 2023
Notes payable – “2022 Related Notes”	$ 532,169	$ 600,000
Less unamortized debt issuance costs	(16,657)	(39,398)
Less current portion	(515,512)	-
Long-term portion of notes payable	$ -	$ 560,602

The principal terms of the 2022 Related Notes, which are subordinated notes, as of December 31, 2024 are as follows:

Issue Date	Interest Rate	Interest Due	Principal Due
April 1, 2022	12%	Quarterly	December 31, 2025

Future minimum principal payments of the 2022 Notes to related parties of $532,169 are due on December 31, 2025. As of December 31, 2024 and 2023, accrued interest for these notes payable – related parties was $0. As of December 31, 2024 and 2023, unamortized deferred financing costs were reflected within long term liabilities on the condensed consolidated balance sheets, netted with the corresponding notes payable balance.

With respect to all notes payable – related parties outstanding, interest expense, including the amortization of debt issuance costs, for the years ended December 31, 2024 and 2023 was $96,116 and $103,518, respectively.

2022 Related Note

On April 1, 2022, we issued a 12% Subordinated Note with a principal amount of $600,000 (the “2022 Related Note”) to Robert Taglich (holding more than 5% beneficial interest in the Company’s Shares). In July 2024, a principal amount of $250,000 of the 2022 Unrelated Notes were sold by the unrelated noteholder to related parties at face value, comprised of $75,000 sold to Michael N. Taglich, a director of the company, $75,000 sold to Robert F. Taglich (each a more than 5% beneficial owner of the Company’s shares), and $100,000 sold to Nicholas Taglich and Juliana Taglich. Interest on the 2022 Related Note accrues at the rate of 12% per annum, payable quarterly in cash, beginning on September 30, 2022. Any accrued but unpaid quarterly installment of interest will accrue interest at the rate of 14.0% per annum. Any overdue principal and accrued and unpaid interest at the maturity date will accrue a mandatory default penalty of 20% of the outstanding principal balance and an interest rate of 14% per annum from the maturity date until paid in full. We used a portion of the net proceeds from the private placement offering to finance the acquisition of Yellow Folder and the remaining net proceeds for working capital and general corporate purposes.

9. Commitments and Contingencies

From time to time we are involved in legal proceedings, claims and litigation related to employee claims, contractual disputes and taxes in the ordinary course of business. Although we cannot predict the outcome of such matters, currently we have no reason to believe the disposition of any current matter could reasonably be expected to have a material adverse impact on our financial position, results of operations or the ability to carry on any of our business activities.

Employment Agreements

We have entered into employment agreements with three of our key executives, including one of our founders. Under their respective employment agreements, the executives are bound by typical confidentiality, non-solicitation and non-competition provisions. Two of the executives have severance arrangements.

Leases

For each of the below listed leases, management has determined it will utilize the base rental period and have not considered any renewal periods.

Location	Square Feet		Monthly Rent	Lease Expiry
Columbus, OH	6,000	$	5,400	December 31, 2028
Madison Heights, MI	36,000	$	44,930	August 31, 2026
Sterling Heights, MI	37,000	$	22,312	April 30, 2028
Traverse City, MI	5,200	$	5,100	January 31, 2026
Temporary space				
Madison Heights, MI	3,200	$	1,605	month to month
Vehicles and equipment				
various	n/a	$	10,160	September 30, 2028

The following table sets forth the future minimum lease payments under our leases:

For the Years Ending December 31		Finance Lease		Operating Leases
2025	$	89,954	$	956,826
2026		81,849		721,664
2027		69,624		355,972
2028		49,508		166,884
2029		7,533		-
Less imputed interest		(45,183)		(197,474)
	$	253,285	$	2,003,872

The following table summarizes the components of lease expense:

For the Year Ending December 31,	2024	2023
Finance lease expense:		
Amortization of ROU assets	$ 71,326	$ 42,115
Interest on lease liabilities	26,198	16,514
Operating lease expense	945,001	954,040
Short-term lease expense	19,254	19,254

The following tables set forth additional information pertaining to our leases:

For the Year Ending December 31,	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Financing cash flows from finance leases (interest)	$ 26,198	$ 16,514
Financing cash flows from finance leases (principal)	61,874	34,954
Operating cash flows from operating leases	787,537	720,889
ROU assets obtained in exchange for new finance lease liabilities	89,289	107,610
Weighted average remaining lease term – finance leases	3.6 years	4.2 years
Weighted average remaining lease term – operating leases	2.6 years	3.5 years
Discount rate – finance leases	9.72%	8.87%
Weighted average discount rate – operating leases	6.89%	7.01%

10. Stockholders' Equity

Description of Authorized Capital

We are authorized to issue up to 25,000,000 shares of common stock with $0.001 par value. The holders of our common stock are entitled to one vote per share. The holders of common stock are entitled to receive ratably such dividends, if any, as may be declared by the Board of Directors out of legally available funds. However, the current policy of the Board of Directors is to retain earnings, if any, for the operation and expansion of the business. Upon liquidation, dissolution or winding-up of Intellinetics, the holders of common stock are entitled to share ratably in all assets legally available for distribution.

Common Stock

As of December 31, 2024, 4,249,735 shares of common stock were issued and outstanding, 255,958 shares of common stock were reserved for issuance upon the exercise of outstanding warrants, 582,976 shares of common stock were reserved for issuance under our 2015 Equity Incentive Plan, as amended (the "2015 Plan"), and our 2024 Equity Incentive Plan (the "2024 Plan"), and 110,136 shares were reserved for issuance under our 2023 Non-Employee Director Compensation Plan.

Private Placement 2022

On April 1, 2022, we entered into a Securities Purchase Agreement with certain accredited investors, pursuant to which we 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. We used a portion of the net proceeds of the offering to finance the acquisition of Yellow Folder, and used the remaining net proceeds for working capital and general corporate purposes, including debt reduction.

The following table describes the shares and warrants issued as part of our 2022 private placement:

Issuance of Common Stock	Issue Date	Shares Issued	Price per share	Warrants Issued	Warrant Exercise Price	Warrant Fair Value
Private Placement 2022	April 1, 2022	1,242,588	$ 4.62	124,258	$ 4.62	$ 3.91

Amortization of the debt issuance costs for the Private Placement 2022 offering was recorded at $152,604 and $155,724, for the years ended December 31, 2024 and 2023.

Warrants

The following sets forth the warrants to purchase our common stock that were outstanding as of December 31, 2024:

Warrants Outstanding	Warrant Exercise Price	Warranty Expiry
124,258	$ 4.62	March 30, 2027 (1)
95,500	$ 4.00	March 30, 2027 (1)
16,000	$ 9.00	March 30, 2027 (1)
17,200	$ 12.50	March 30, 2027 (1)
3,000	$ 15.00	March 30, 2027 (2)

(1) Issued to the placement agent in connection with private placements of our convertible promissory notes.

(2) Issued to certain 5% stockholders.

11. *Stock-Based Compensation*

From time to time, we issue stock options and restricted stock as compensation for services rendered by our directors and employees.

Restricted Stock

On March 19, 2024, we granted 127,500 shares of restricted common stock to certain employees. The grants of restricted common stock had a per share fair value of $8.83, were made in accordance with the 2015 Plan, and were subject to vesting, as follows: 42,495 shares vested on March 19, 2024; 42,495 shares vest on April 2, 2025, and 42,510 shares vest on April 2, 2026. As of April 2, 2024, 10,315 shares, representing an amount of $69,525, were cancelled for payment of payroll taxes as part of a cashless grant, in accordance with the 2015 Plan, resulting in a net of 32,180 shares vested. Stock compensation of $805,955 was recorded on the issuance of the common stock for the year ended December 31, 2024.

On December 28, 2023, we issued 39,864 shares of restricted common stock to our directors as part of their annual compensation plan. The grants of restricted common stock were made in accordance with our 2023 Non-Employee Director Compensation Plan and were not subject to vesting. Stock compensation of $147,500 was recorded on this issuance of restricted common stock for the year ended December 31, 2023.

Stock Options

On August 16, 2024, we granted non-employee directors stock options to purchase 36,000 shares at an exercise price of $8.78 per share, the fair market value of the shares on the grant date, under the 2023 Non-Employee Director Compensation Plan, with 100% vesting upon grant. The total fair value of $241,735 for these stock options was recognized upon grant. On September 4, 2024, we granted employees stock options to purchase 14,500 shares at an exercise price of $10.12 per share, the fair market value of the shares on the grant date, under the 2015 Plan, with annual vesting through 2027 based on service time. The total fair value of $118,347 for these stock options is being recognized over the vesting period. We did not make any stock option grants during the twelve months ended December 31, 2023.

The weighted-average grant date fair value of options granted during the twelve months ended December 31, 2024 was $7.13. The weighted average assumptions that were used in calculating such values during the twelve months ended December 31, 2024, as well as the assumptions that were used in calculating such values, were based on estimates at the grant date in the table as follows:

	Grant Date August 16, 2024	Grant Date September 4, 2024
Risk-free interest rate	3.77%	3.61%
Weighted average expected term	5 years	6 years
Expected volatility	100.97%	101.00%
Expected dividend yield	0.00%	0.00%

A summary of stock option activity during the years ended December 31, 2024 and 2023 is as follows:

	Shares Under Option	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at January 1, 2024	357,887	$ 5.69	8 years	$ -
Granted	50,500	9.16		
Exercised	(29,976)	5.07		
Forfeited	(4,000)	4.63		-
Outstanding at December 31, 2024	374,411	$ 6.22	7 years	$ -
Exercisable at December 31, 2024	284,912	$ 6.06	7 years	$ -

	Shares Under Option	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at January 1, 2023	365,447	$ 5.89	8 years	$ 19,200
Forfeited	(7,560)	15.34		(19,200)
Outstanding at December 31, 2023	357,887	$ 5.69	8 years	$ -
Exercisable at December 31, 2023	186,594	$ 5.60	7 years	$ -

During the years ended December 31, 2024 and 2023, stock-based compensation for options was $690,819 and $464,529, respectively.

As of December 31, 2024 and 2023, there was $213,247 and $547,981, respectively, of total unrecognized compensation costs related to stock options granted under our stock option agreements. The unrecognized compensation cost is expected to be recognized over a weighted-average period of two years. The total fair value of stock options that vested during the years ended December 31, 2024 and 2023 was $696,620 and $467,771, respectively.

Issues of Stock-Based Compensation

The following represent grants of stock options, including the fair value recognized or to be recognized over the requisite service period:

Grant date	Shares granted (canceled)	Exercise price	Date fully vested	Fair value
February 10, 2016	4,200	$ 48.00	February 10, 2020	$ 174,748
December 6, 2016	2,000	38.00	December 6, 2020	63,937
September 25, 2017	15,000	15.00	September 25, 2019	194,149
September 25, 2017	10,000	19.00	September 25, 2019	126,862
January 30, 2019	250	45.00	January 30, 2019	885
March 11, 2019	(33,200)	-	-	-
March 11, 2019	33,200	6.50	December 6, 2020	24,898(1)
March 11, 2019	10,100	6.50	March 11, 2023	44,591
September 2, 2020	99,000	4.00	September 2, 2024	327,181
April 14, 2022	220,587	6.08	April 14, 2025	1,152,470
August 16, 2024	36,000	8.78	August 16, 2024	241,735
September 4, 2024	14,500	10.12	September 4, 2027	118,347

(1) Represents incremental fair value of replacement shares compared to canceled shares.

12. Concentrations

Revenues from a limited number of customers have accounted for a substantial percentage of our total revenues. During the years ended December 31, 2024 and 2023, our largest customer, the State of Michigan, accounted for 40% and 35%, respectively, of our total revenues for each period.

For the years ended December 31, 2024, and 2023, government contracts, including K-12 education, represented approximately 80% of our net revenues for each period. A significant portion of our sales to resellers represent ultimate sales to government agencies.

As of December 31, 2024, accounts receivable concentrations from our two largest customers were 58% and 6% of gross accounts receivable, respectively by customer. As of December 31, 2023, accounts receivable concentrations from our two largest customers were 62% and 3% of gross accounts receivable, respectively by customer. Accounts receivable balances from our two largest customers at December 31, 2024 have been partially collected.

13. Subsequent Events

Exercise of Warrants

On January 13, 2025, a warrant holder exercised 14,698 warrants at an exercise price of $4.62 with a fair market price on that date of $13.17. Shares in the amount of 9,541 were issued in a cashless exercise.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain "disclosure controls and procedures" as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act that are designed to ensure that information required to be disclosed by us in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial office, and Board of Directors, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognizes that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable assurance of achieving the desired objectives, and we necessarily are required to apply our judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures.

Our management, including our principal executive officer and principal financial officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2024 and concluded that our disclosure controls and procedures were effective as of December 31, 2024.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of consolidated financial statements for external purposes, in accordance with generally accepted accounting principles. The effectiveness of any system of internal control over financial reporting is subject to inherent limitations and therefore, may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness of future periods are subject to the risk that the controls may become inadequate due to change in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management, including our principal executive officer and principal financial officer, conducted an evaluation of the effectiveness of our internal control over financial reporting using the criteria set forth by the committee of Sponsoring Organization of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013).

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

Based on our evaluation, our principal executive officer and principal financial officer concluded that, as of December 31, 2024, our disclosure controls and procedures were effective as required under Rules 13a-15(e) and 15d-15(e) under the Exchange Act and we did maintain effective internal control over financial reporting, based on criteria issued by COSO.

This report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to rules of the SEC that permit us to provide only management's report in this report.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-13(f) and 15d-15(f) under the Exchange Act) that occurred during our fourth fiscal quarter of the fiscal year ended December 31, 2024, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not applicable

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTION.

Not applicable.

Part III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Incorporated by reference to our definitive Proxy Statement for the 2025 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after December 31, 2024.

ITEM 11. EXECUTIVE COMPENSATION

Incorporated by reference to our definitive Proxy Statement for the 2025 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after December 31, 2024.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Incorporated by reference to our definitive Proxy Statement for the 2025 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after December 31, 2024.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Incorporated by reference to our definitive Proxy Statement for the 2025 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after December 31, 2024.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Incorporated by reference to our definitive Proxy Statement for the 2025 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after December 31, 2024.

Part IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

Reference is made to the Index to Financial Statements beginning on Page F-1 hereof.

Financial Statement Schedules.

(a) Documents Filed as Part of Report

(1) Financial Statements.

(3) Exhibits.

The exhibits listed on the accompanying Exhibit Index are filed or incorporated by reference as part of this report and such Exhibit Index is incorporated by reference.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 24, 2025.

Intellinetics, Inc.

By: */s/ James F. DeSocio*

James F. DeSocio

President, Chief Executive Officer and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on March 24, 2025.

Name	Title
/s/ James F. DeSocio **James F. DeSocio**	President, Chief Executive Officer, and Director (Principal Executive Officer)
/s/ Joseph D. Spain **Joseph D. Spain**	Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)
/s/ Stanley P. Jaworski, Jr. **Stanley P. Jaworski, Jr.**	Director
/s/ Paul Seid **Paul Seid**	Director
/s/ Michael N. Taglich **Michael N. Taglich**	Director
/s/ John Guttilla **John Guttilla**	Director

EXHIBIT INDEX

Exhibit No.	Description	Incorporation by Reference		
		Form	Exhibit	Filing Date
3.1.1	Articles of Incorporation of Intellinetics, Inc.	10-SB	3.1	10-02-2000
3.1.2	Certificate of Correction, effective May 22, 2007	8-K	3.1	06-15-2007
3.1.3	Certificate of Amendment to Articles of Incorporation of Intellinetics, Inc.	8-K	99.1	09-03-2014
3.1.4	Certificate of Amendment to Articles of Incorporation of Intellinetics, Inc., dated March 2, 2020	8-K	3.1	03-04-2020
3.1.5	Certificate of Amendment to Articles of Incorporation of Intellinetics, Inc., dated March 3, 2020	8-K	3.2	03-04-2020
3.2.1	Bylaws of Intellinetics, Inc.	10-SB	3.3	10-02-2000
3.2.2	Amendment No. 1 to the Bylaws of Intellinetics, Inc.	8-K	3.4	03-01-2012
3.2.2	Amendment No. 2 to the Bylaws of Intellinetics, Inc.	8-K	3.3	03-04-2020

4.1	Form of Stock Certificate	10-K	4.1	3-30-2020
4.2	Form of Placement Agent Warrants, dated January 31, 2017	8-K	10.3	01-06-2017
4.3	Form of Warrant to Purchase Common Stock, issued October 22, 2017	8-K	10.2	01-06-2017
4.4	Form of Placement Agent Warrants	8-K	10.5	11-24-2017
4.5	Form of Placement Agent Warrants	8-K	10.3	09-26-18
4.6	Description of Registered Securities+			
4.7	Form of Placement Agent Warrants, dated April 1, 2022	8-K	4.1	04-05-2022
4.8	Form of 12% Subordinated Notes, dated April 1, 2022	8-K	10.2	04-05-2022
10.1	Amended Employment Agreement of Matthew L. Chretien, dated September 16, 2011	8-K	10.37	02-13-2012
10.2	Amended Offer of Employment of Matthew L. Chretien, dated September 16, 2011	8-K	10.38	02-13-2012
10.3	Employment Agreement of Joseph D. Spain dated December 2, 2016	8-K	10.3	12-06-2016
10.4	Lease Renewal Agreement by and between Intellinetics, Inc. and Dividend Drive LLC, dated as of August 9, 2016	10-K	10.6	03-30-2017
10.5	Intellinetics, Inc. 2015 Equity Incentive Plan	8-K	10.3	04-30-2015
10.6	First Amendment to Intellinetics, Inc. 2015 Equity Incentive Plan, dated September 25, 2017	8-K	10.2	09-26-2017
10.7	Second Amendment to Intellinetics, Inc. 2015 Equity Incentive Plan, dated February 19, 2018	8-K	10.2	02-23-2018
10.8	Third Amendment to Intellinetics, Inc. 2015 Equity Incentive Plan, dated April 17, 2020	10-K	10.8	3-24-2022
10.9	Fourth Amendment to Intellinetics, Inc. 2015 Equity Incentive Plan, dated April 29, 2021	8-K	10.1	05-05-2021
10.10	Form of Non-Qualified Stock Option Agreement under Company's 2015 Equity Incentive Plan	10-K	10.9	03-28-2016
10.11	Form of Incentive Stock Option Agreement under Company's 2015 Equity Incentive Plan	8-K	10.6	01-05-2016
10.12	Offer Letter, dated September 25, 2017, between Intellinetics, Inc. and James F. DeSocio	8-K	10.1	09-26-2017
10.13	Intellinetics, Inc. 2018 Executive Incentive Compensation Plan	8-K	10.3	02-23-2018
10.14	Amendment, dated February 19, 2018, between Intellinetics, Inc. and Joseph D. Spain	8-K	10.1	02-23-2018
10.15	State of Michigan Enterprise Procurement Notice of Contract No 171 180000000749, between the State of Michigan and Graphic Sciences, Inc., with Standard Contract Terms, dated June 1, 2018	8-K	10.4	03-04-2020

10.16	Standard Industrial Lease Agreement, by and between KHS Properties, LLC and Graphic Sciences, Inc., dated August 30, 2018.	10-K	10.14	03-30-2021
10.17	Lease, by and between Liberty Park Commerce Center, LLC and Graphic Sciences, Inc., dated February 5, 2021.	10-K	10.15	03-30-2021
10.18	Intellinetics, Inc. 2023 Non-Employee Director Compensation Plan	10-Q	10.1	05-15-2023
10.19	Contract Change Notice No. 2 and 3, by and between Graphic Sciences, Inc. and the State of Michigan Central Procurement Services, Department of Technology Management, dated August 3, 2023	10-Q	10.1	08-14-2023
10.20	Intellinetics, Inc. 2024 Equity Incentive Plan	S-8	99.1	03-21-2025
10.21	Amendment to 12% Subordinated Promissory Notes	8-K	10.1	03-19-2024
10.22	Restricted Stock Award Agreement pursuant to the 2015 Intellinetics, Inc. Equity Incentive Plan	8-K	10.2	03-19-2024
10.23	Form of Non-Qualified Stock Option Agreement under Company's 2023 Director Compensation Plan	S-8	99.3	03-21-2025
19.1	Intellinetics, Inc. Insider Trading Policy +			
21.1	List of Subsidiaries of Intellinetics, Inc. +			
23.1	Consent of Independent Registered Public Accounting Firm +			
31.1	Certification of Principal Executive Officer pursuant to Section 302 of The Sarbanes-Oxley Act of 2002 +			
31.2	Certification of Principal Financial Officer pursuant to Section 302 of The Sarbanes-Oxley Act of 2002 +			
32.1	Certification of Principal Executive Officer pursuant to Section 906 of The Sarbanes-Oxley Act of 2002 +			
32.2	Certification of Principal Financial Officer pursuant to Section 906 of The Sarbanes-Oxley Act of 2002 +			
97	Intellinetics, Inc. Executive Compensation Clawback Policy +			
101.INS	Inline XBRL Instance Document +			
101.SCH	Inline XBRL Taxonomy Extension Schema Document +			
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document +			
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document +			
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document +			
101.PRE	Inline XBRL Taxonomy Extension Linkbase Document +			

\+ Filed herewith:

Exhibit 4.6

Description of the Company's Common Stock Registered under Section 12 of the Exchange Act of 1934

The following summary of Intellinetics, Inc.'s common stock is based on and qualified by the Company's Articles of Incorporation, as amended (the "Articles") and Bylaws, as amended ("Bylaws"). For a complete description of the terms and provisions of the Company's common stock, refer to the Articles and Bylaws, both of which are filed as exhibits to this Annual Report on Form 10-K.

The Company's authorized capital stock consists of 25,000,000 shares of common stock, par value $0.001 per share.

Holders of shares of common stock are entitled to one vote per share on all matters submitted to a vote of the stockholders. Shares of common stock do not have cumulative voting rights. Holders of record of shares of common stock are entitled to receive dividends when and if declared by the Board of Directors. To date, we have not paid cash dividends. We intend to retain any earnings for the operation and expansion of our business and do not anticipate paying cash dividends in the foreseeable future.

Any future determination as to the payment of cash dividends will depend on future earnings, results of operations, capital requirements, financial condition and such other factors as the Board of Directors may consider. Upon liquidation, dissolution or winding-up, the holders of our common stock are entitled to share ratably in all assets that are legally available for distribution.

Holders of our common stock do not have pre-emptive rights to subscribe for or to purchase any stock, obligations or other securities.

All of the shares of common stock currently issued are fully paid and non-assessable.

Exhibit 19.1

INTELLINETICS, INC.

INSIDER TRADING POLICY

Adopted June 26, 2020

This Insider Trading Policy (this "***Policy***") sets forth guidelines with respect to transactions in the securities of Intellinetics, Inc., a Nevada corporation (the "***Company***" or "***we***" or "***us***"), and the handling of confidential information about the Company and the companies with which the Company does business. References in this Policy to the Company shall be deemed to include references to the Company together with its subsidiaries, except where the context otherwise requires.

BACKGROUND AND IMPORTANCE OF THIS POLICY

As a public company, the Company, along with its officers, directors and employees, are subject to certain restrictions, limitations and liabilities under federal and state securities laws. In general, under these securities laws, it is illegal for any person, either personally or on behalf of others, to trade in securities on the basis of material, non-public information. It is also illegal for any person to communicate or "***tip***" material, non-public information to another person so that the other person may trade in securities on the basis of that information. These illegal activities are commonly referred to as "***insider trading***." Insider trading violations are pursued vigorously by the Securities and Exchange Commission (the "***SEC***"), as well as by prosecutors and state regulators, and may be punished severely.

The Company has adopted this Policy to provide guidelines to members of its Board of Directors and to its officers, employees, consultants and contractors with respect to, and to promote compliance with, federal and state securities laws that prohibit certain persons who are or may be aware of material non-public information about a company from (i) trading in the securities of that company, or (ii) providing material non-public information to other persons who may trade on the basis of that information. The objective of this Policy is to help prevent any actual or apparent impropriety, either of which could lead to allegations of insider trading and the potential for significant liability on the part of any implicated parties. This Policy does not replace your personal responsibility to understand and comply with insider trading laws.

Compliance with this Policy is of the utmost importance to the Company and to you**.** If you have any questions about any of the matters discussed in this Policy, a particular transaction or the insider trading laws generally, please contact Joe Spain, the Company's Chief Financial Officer, who shall serve as the Compliance Officer for purposes of this Policy. All determinations and interpretations by the Compliance Officer shall be deemed final and not subject to further review. However, any advice or action by the Company or the Compliance Officer, or any other officer, employee or outside legal counsel of the Company, does not constitute legal or investment advice or insulate anyone from liability under applicable securities laws. Each individual is ultimately personally responsible for his or her compliance with all legal and ethical obligations, as well as with this Policy and with all applicable laws, rules and regulations**.**

The Company takes its obligations under the securities laws very seriously and intends to protect its reputation for integrity and ethical conduct. Any violation or suspected violation of this Policy could subject you to disciplinary action, up to and including termination of your employment, whether or not that violation of this Policy also constitutes a violation of law.

APPLICABILITY OF THIS POLICY

Transactions Subject to this Policy

This Policy applies to all transactions in the Company's securities, including common stock, options to purchase common stock, restricted and performance shares and units, convertible notes, and any other securities the Company may issue from time to time, such as preferred stock, warrants and convertible debentures, as well as to derivative securities relating to the Company's securities, whether or not issued by the Company, such as exchange-traded put or call options or swaps (collectively, "***Company Securities***").

Persons Subject to this Policy

This Policy applies to all officers of the Company, all members of the Company's Board of Directors and all employees of the Company, as well as to consultants and contractors who receive or have access to Material Non-Public Information (as defined below) regarding the Company. This group of people are sometimes referred to in this Policy as "***Insiders***" or "***you***." This Policy also applies to family members of an Insider, to other members of an Insider's household, and to entities controlled by an Insider, as described in this Policy.

Transactions by Family Members

This Policy also applies to your family members who reside with you (including your spouse, children even if they are away at college, stepchildren, grandchildren, parents, stepparents, grandparents, siblings and in-laws), anyone else who lives in your household, and any family members who do not live in an Insider's household but whose transactions in Company Securities are directed by you or are subject to your influence or control, such as parents or children who consult with you before they trade in Company Securities (collectively, "***Family Members***"). You are responsible for the transactions of your Family Members and therefore should make them aware of the need to confer with you before they trade in any Company Securities, and should treat all such transactions for the purposes of this Policy and applicable securities laws as if the transactions were for your own account. This Policy does not, however, apply to personal securities transactions of Family Members where the purchase or sale decision is made by a third party not controlled by, influenced by or related to you or your Family Members.

Transactions by Entities that You Influence or Control

This Policy also applies to any entities that you influence or control, including any corporations, partnerships, limited liability companies or trusts ("***Controlled Entities***"), so transactions by these Controlled Entities should be treated for purposes of this Policy and applicable securities laws as if they were for your own account.

Post-Termination Transactions

This Policy continues to apply to your transactions in Company Securities even after you have terminated your employment or other service or relationship with the Company. If you are in possession of Material Non-Public Information when your employment or other service terminates or if you come into possession of Material Non-Public Information afterwards, you may not trade in Company Securities until that information has been publicly disclosed or else becomes no longer material. However, the pre-clearance procedures of this Policy will cease to apply to transactions in Company Securities upon the later of the date of termination, or if a Blackout Period is in effect at the time of termination, upon the expiration of that Blackout Period.

STATEMENT OF POLICY

General Policy

It is the policy of the Company that no director, officer or employee (or consultant or contractor who is aware of Material Non-Public Information relating to the Company) may, directly, or indirectly through family members or other persons or entities:

(a) buy or sell Company Securities, or engage in any other transactions in Company Securities, or take any other action to take personal advantage of that Material Non-Public Information, except as expressly specified in and permitted by this Policy;

(b) recommend the purchase or sale of any Company Securities;

(c) disclose, pass on or otherwise tip Material Non-Public Information to persons within the Company whose jobs do not require them to have that information, or to persons outside the Company, including but not limited to Family Members, friends, business associates, investors, analysts and consulting firms, unless such disclosure is made in accordance with the Company's policies regarding the protection or authorized external disclosure of information regarding the Company; or

(d) assist anyone engaged in any of the foregoing activities.

In addition, it is the policy of the Company that no director, officer, employee, consultant or contractor of the Company who, in the course of working for the Company, learns of Material Non-Public Information about another company with which the Company does business, including a customer, supplier or business partner of the Company, may trade in that other company's securities until the information becomes public or is no longer material.

There are no exceptions to this Policy, except as specifically set forth herein. Transactions that may be necessary or justifiable for independent reasons (such as the need to raise money under emergency circumstances), or small transactions, do not create exemptions from this Policy. The securities laws do not recognize such mitigating circumstances, and, in any event, even the appearance of an improper transaction must be avoided to preserve the Company's reputation for adhering to the highest standards of conduct.

Definition of Material Non-Public Information

"***Material Non-Public Information***" is information that is "***Material***" and is also "***Non-Public***." Information will be regarded as Material if there is a reasonable likelihood that it would be considered important to a reasonable investor in making an investment decision regarding the purchase or sale of Company Securities. Any information that could be expected to affect the Company's stock price, whether it is positive or negative, should be considered Material.

While there is no bright-line test so it may be difficult to determine whether particular information is Material, there are various categories of information that are particularly sensitive and, as a general rule, should always be considered Material. Examples of such information include the following:

- Financial results;
- Projections of future revenues, business, earnings or losses, or other earnings and financial guidance, changes to previously announced projections or guidance or the decision to suspend or otherwise change the form of guidance;
- A pending or proposed merger, acquisition or tender offer;
- The disposition of a subsidiary, of a business line or of significant assets;
- A pending or proposed joint venture;
- A pending or proposed restructuring of the Company;

- A significant related party transaction;
- A significant change in liquidity, whether for the better or worse, or a change in the auditor's going concern treatment in connection with an annual audit or quarterly review;
- The gain or loss of, or a large change in the amount of business with, a significant customer, vendor or other business partner;
- A change in dividend policy;
- Development of significant new product, service or technology offerings;
- Significant product defects or modifications;
- Significant new contracts, awards, orders or other agreements;
- The gain or loss of a significant customer or supplier;
- Significant pricing changes;
- A Significant change to the Company's margins or cost structure;
- The declaration of a forward or reverse stock split;
- Establishing or modifying a stock repurchase program;
- An equity or debt private placement or public offering;
- Major financing developments including establishing new, increased or decreased credit facilities, or bank borrowings or other financing transactions or any default or notice of default thereunder;
- Actual or threatened major litigation, claims or regulatory proceedings, significant changes in the status of those proceedings or the resolution of such proceedings;
- A change in management or a change in control;
- The resignation or termination of the Company's auditors or notification that their reports may no longer be relied upon;
- A significant cybersecurity incident, such as a data breach, or any other significant disruption in operations the loss, potential loss, breach or unauthorized success of its property or asserts, whether at its facilities or through its information technology infrastructure; or
- The imposition of an event-specific restriction on trading in Company Securities or a trading ban in the securities of another company

Other types of information may also be Material, so the foregoing list should not be considered exclusive.

Information is "***Non-Public***" if it has not been disclosed to the public by the Company and is otherwise not available to the public, and it remains Non-Public until it has been disclosed to the public, such as through a press release or a report filed with the SEC, or a properly noticed call or webcast available to the general public, and the public has had sufficient time to digest that information. Information disclosed on the Company's website or through a social media platform would likely not be considered sufficiently widely disseminated to be considered publicly disclosed, as of the date of this Policy. Information also would likely not be considered sufficiently widely disseminated to be deemed publicly disclosed if it is only disclosed or available to employees of the Company, or to a limited group of analysists, brokers or institutional investors.

Remember, there is no bright-line standard for assessing materiality. Rather, materiality is based on an assessment of all the facts and circumstances, and anyone scrutinizing any transactions for insider trading purposes will be doing so after the fact, with the benefit of 20-20 hindsight. As a practical matter, before engaging in any transaction in Company Securities, you should carefully consider how enforcement authorities and others might view the transaction in hindsight.

Specific Policies

Trading on Material Non-Public Information Prohibited. No Insider, and no Family Member of an Insider, shall engage in any transaction involving a purchase or sale of any Company Securities, including any offer to purchase or offer to sell, during any period commencing on the date that such person comes into possession of any Material Non-Public Information concerning the Company and ending at the close of business on the second Trading Day following the date of public disclosure of that information, or at such time as such Material Non-Public Information is no longer material. As used herein, the term "***Trading Day***" means a day on which the national stock exchanges are open for trading. If, for example, the Company were to make an announcement before the open of trading on a Monday, you should not trade in Company Securities until Wednesday, while if the Company were to make an announcement on Thursday night after the market closed, then you should not trade in Company Securities until the following Tuesday.

No Tipping. No Insider shall disclose ("***tip***") Material Non-Public Information to any other person (including to Family Members) where such information may be used by such other person to such other person's gain or profit by trading in Company Securities, nor shall such Insider make recommendations or express opinions on the basis of Material Non-Public Information as to trading in any Company Securities. Even if you are not in possession of Material Non-Public Information, do not recommend to any other person that such other person buy, sell or hold Company Securities. Remember that tipping Material Non-Public Information is always prohibited, and that your recommendation could be imputed to the Company and may be misleading if you do not have all relevant information.

Do not discuss Material Non-Public Information where it may be overheard, such as in restaurants, elevators, restrooms, and other public places. Remember that cell phone conversations are often overheard and that voice mail and email messages may be retrieved by persons other than their intended recipients.

If you receive inquiries about the Company from investors, potential investors, securities analysts, reporters or others, you are instructed to decline to answer or comment and to direct those inquiries to James F. DeSocio, the Company's President and Chief Executive Officer, or to the Compliance Officer.

Preserving Confidentiality of Non-Public Information. Non-Public Information relating to the Company is the property of the Company, and the unauthorized disclosure of such information is forbidden. Keep all memoranda, correspondence and other documents that reflect Non-Public Information in a secure place, such as a locked office or a locked file cabinet, so that they cannot be seen by third persons. Also follow reasonable security protocols on any computer, laptop, tablet, phone or other device on which you access, retrieve, review or send Company information, to prevent hacking, phishing and other data loss.

Blackout Periods.

- *Quarterly Blackout Periods*. No Insider, or Family Member or Controlled Entity of an Insider, may engage in any transactions in Company Securities during a "***Blackout Period***" that commences on the close of business on the last day of each fiscal quarter (i.e., March 31, June 30, September 30 and December 31) and continues until two full Trading Days after the Company releases its financial results for that quarter (or, as to the last quarter of a fiscal year, for that fiscal year). In other words, these persons may only conduct transactions in Company Securities during the "***Window Period***" that commences on the third Trading Day after the Company releases its financial results for that quarter and ends at the close of business on the last day of the then current fiscal quarter.

- *Event-Specific Blackout Periods*. The Company reserves the right to impose a trading Blackout Period from time to time on Insiders, and their Family Members and Controlled Entities, when, in the judgment of the Board, the Compliance Officer or legal counsel, a restriction on trading is warranted, generally due to a material event, transaction, change or circumstance that has not been publicly disclosed and may be known by less than all Insiders. If an event-specific Blackout Period is declared, those Insiders to which it applies will be notified by the Compliance Officer, but the Compliance Officer is not required to disclose the reason for such Blackout Period. Because of its potential significance, the commencement, existence or termination of such an event-specific Blackout Period itself may be deemed Material Non-Public Information and thus may not be disclosed to any person not subject to such Blackout Period.

- *Not a Safe Harbor*. Even outside of a Blackout Period, any person possessing Material Non-Public Information concerning the Company should not engage in any transactions in Company Securities until such information has been publicly disclosed for at least two Trading Days. Each person is individually responsible at all times for compliance with the prohibitions against insider trading. Trading in Company Securities outside of a Blackout Period should not be considered a "safe harbor," and all Insiders should use good judgment at all times.

Pre-Clearance of Trades. No Insider, or Family Member or Controlled Entity of an Insiders, may trade or engage in any other transaction involving Company Securities, even outside of a Blackout Period, without first complying with the Company's "***pre-clearance***" process, as set forth in this paragraph. Each such person must submit a request to the Compliance Officer to engage in a transaction in Company Securities at least two trading days in advance of the proposed transaction, and may only proceed with the proposed transaction if the proposed transaction is approved, or "pre-cleared, by the Compliance Officer. Such request for clearance should clearly indicated if the person requesting the pre-clearance is aware of any Material Non-Public Information, and the nature of that information, as well as whether such person has engaged in any non-exempt "opposite-way" transactions within the prior six month period. The Compliance Officer is under no obligation to pre-clear a transaction, and has the discretion to refuse to pre-clear a proposed transaction if he deems such refusal appropriate. If pre-clearance of a proposed transaction is granted, such pre-clearance will only be valid for five Trading Days, and such pre-clearance is subject to being withdrawn prior thereto (upon notice) if conditions or events dictate. If the transaction is not effected within that five Trading Day period, pre-clearance of the proposed transaction must be requested again. This pre-clearance process does not apply to transactions in Company Securities under a 10b5-1 Plan (as defined and discussed below) that has been approved by the Company.

If a person seeks pre-clearance and approval to engage in the transaction is denied, such person is to refrain from initiating any in that or any similar transaction and to keep the fact of such denial confidential. If the transaction is effected by a director or executive officer of the Company, then such person must notify Erin Herbst, Kegler, Brown, Hill & Ritter Co., L.P.A. of all trades (including the type of transaction, the number of shares and the price of each trade) promptly (within one Trading Day if possible), so the necessary Form 4 report can be prepared for filing with the SEC on a timely basis. Most transactions in Company Securities by directors or executive officers are required to be reported on a Form 4 that is filed within two Trading Days of each trade – and for Form 4 purposes, it is the trade date, not the settlement/clearance date, that is relevant.

10b5-1 Plans. SEC Rule 10b5-1 under the Securities Exchange Act of 1934, as amended (the "***Exchange Act***"), provides a defense from insider trading liability under Rule 10b-5 of the Exchange Act. Pursuant to SEC Rule 10b5-1, and subject to the restrictions and limitations set forth in SEC Rule 10b5-1, a person subject to this Policy may establish a written program which authorizes (i) automatic trading of Company Securities through a third-party broker or (ii) trading of Company Securities by an independent person (e.g., an investment banker) who is not aware of Material Non-Public Information at the time of a trade (a "***10b5-1 Plan***"). Once a 10b5-1 Plan is implemented in accordance with SEC Rule 10b5-1 and this Policy, trades pursuant to such 10b5-1 Plan will not require any further pre-clearance of transactions covered by the 10b5-1 Plan or be subject to the Blackout Periods and other limitations and restrictions set forth in other sections of this Policy. Thus, trading pursuant to a 10b5-1 Plan adopted under this Policy may occur even during a Blackout Period or when the person on whose behalf such trade becomes aware of Material Non-Public Information.

Each 10b5-1 Plan (or the form of plan established by a broker, investment bank or other third party) must be reviewed and approved by the Compliance Officer prior to establishment in order to confirm compliance with SEC Rule 10b5-1 and this Policy. In general, a 10b5-1 Plan must be entered into at a time when the person entering into the plan is not aware of Material Non-Public Information and a Blackout Period is not in effect. Once a 10b5-1 Plan is adopted, the person must not exercise any influence over the amount, time or price of Company Securities to be traded. Rather, the 10b5-1 Plan must either specify the amount, pricing and timing of transactions in advance or delegate discretion on those matters in an independent third party. In addition, each proposed modification or termination of a 10b5-1 Plan must be reviewed and approved by the Compliance Officer prior to such modification or termination.

Certain Exceptions

The pre-clearance process requirements and Blackout Period restrictions under this Policy do not apply to the following transactions in Company Securities:

- *Certain Stock Option Exercises*. The exercise of stock options for cash (but not in exchange for shares or on a "net option" basis) under a Company's stock or equity plan, and the exercise of a tax withholding right pursuant to which an optionee has elected to have the Company withhold shares subject to any option to satisfy tax withholding requirements, are each exempt from the trading restrictions of this Policy. However, this exception for exercising stock options does not apply, and the trading restrictions of this Policy do apply, to any sale of the shares issued by the Company and received by the optionee upon the exercise of a stock option, to a cashless exercise of stock options through a broker (which entails selling a portion of the shares underlying the stock option in order to cover the exercise price) or to any other sale of shares for the purpose of generating cash to pay the exercise price of the stock option.

- *Restricted Stock Award Vesting*. This Policy does not apply to the vesting of restricted stock, or the exercise of a tax withholding right pursuant to which you elect to have the Company withhold shares of stock to satisfy tax withholding requirements upon the vesting of any restricted stock. This Policy does apply, however, to any market sale of the restricted stock.

- *Purchases under an Employee Stock Purchase Plan*. This Policy does not apply to the purchase of Company Securities under a Company employee stock purchase plan resulting from periodic contributions of money to the plan pursuant to the election made at the time of enrollment in such plan. This Policy also does not apply to purchases of Company Securities resulting from lump sum contributions to an employee stock purchase plan, if the election to participate by lump sum payment was made at the beginning of the applicable enrollment period. This Policy does apply, however, to the election to participate in an employee stock purchase plan for any enrollment period, and to sales of Company Securities purchases pursuant such plan.

- *Bona Fide Gifts*. Bona fide gifts of Company Securities are exempt from this Policy, provided that (i) the gift is not made during a Blackout Period, and (ii) with respect to gifts other than to bona fide charitable organizations (such as gifts to individuals), the pre-clearance process still applies to the gift itself.

POTENTIAL CRIMINAL AND CIVIL LIABILITY AND/OR DISCIPLINARY ACTION

The purchase or sale of securities while aware of Material Non-Public Information, or the disclosure of Material Non-Public Information to others who then trade in Company Securities, is prohibited by Federal and state securities laws. Insider trading violations are pursued vigorously by the SEC, U.S. Attorneys and state enforcement authorities.

The consequences of an insider trading violation can be severe:

- Liability for Insider Trading and Tipping. Federal and state securities laws impose heavy penalties on persons who, in violation of law, either buy or sell securities while aware of Material Non-Public Information or pass the Material Non-Public Information along to others who use it to buy or sell securities, which is referred to as "***tipping.***" These potential penalties may include heavy civil penalties, significant criminal fines and imprisonment. In addition, a violation of law, or even an SEC investigation that does not result in prosecution, can tarnish a person's reputation and damage a career.

- Control Person Liability. The Company and its supervisory personnel, if they fail to take reasonable steps to prevent illegal insider trading, could be subject to "***control person***" liability for an insider trading violation by another, and become subject to heavy civil penalties and significant criminal fines, as well as damaging injury to the reputation of the Company and its supervisory personnel.

- Possible Company Disciplinary Actions. Employees of the Company who violate this Policy could also be subject to disciplinary action by the Company, which may include without limitation ineligibility for future participation in the Company's equity incentive plans or termination of employment, whether or not such violation of this Policy results in a violation of law.

APPLICABILITY OF POLICY TO MATERIAL NON-PUBLIC INFORMATION RELATING TO OTHER COMPANIES

This Policy and the guidelines described herein also apply to Material Non-Public Information relating to other companies, including the Company's customers, vendors or other business partners, when that information is obtained in the course of employment with, or other services performed on behalf of, the Company. Civil and criminal penalties, and disciplinary actions by the Company, may result from trading on Material Non-Public Information regarding the Company's business partners. All employees should treat Material Non-Public Information about the Company's customers, vendors and other business partners with the same care required with respect to Material Non-Public Information related directly to the Company.

OTHER DISCOURAGED OR PROHIBITED TRANSACTIONS

The Company believes that there is a heightened legal risk and/or the appearance of improper or inappropriate trading for any of the Insiders to engage in short-term or speculative transactions in Company Securities or in other transactions in Company Securities that may lead to inadvertent violations of the insider trading laws, or give the appearance thereof. Therefore, the Company's policy on these types of transactions is as follows:

Short-Term Trading. A person's short-term trading of Company Securities may be distracting to that person and may unduly focus that person on the Company's short-term stock market performance rather than the Company's long-term business objectives. For these reasons, the Company discourages employees from engaging in any type of short-term trading, and prohibits certain specific types of short-term trading, of Company Securities. Section 16(b) of the Exchange Act effectively prohibits officers and directors from engaging in short-swing trading, meaning they cannot sell any Company Securities during the six month period following the purchase of the same class of Company Securities (and vice versa), even if not the same shares. This Policy prohibits this short-swing trading, and also extends this short-swing trading prohibition to all employees of the Company, whether or not they are otherwise prohibited under Section 16(b) from engaging in short-swing trading activities. This short-swing trading prohibition only applies to open market transactions, so the grant and exercise of stock options (but not the sale of the shares issued and received upon such exercise) and the grant and vesting of restricted stock or other equity grants by the Company under its stock and equity plans are exempt from this prohibition.

Short-Sales. Short sales of Company Securities (i.e., the sale of securities that are not then owned by the seller) may evidence an expectation on the part of the seller that the securities will decline in value, and therefore have the potential to signal to the market that the seller lacks confidence in the Company or its prospects. In addition, short sales may reduce the seller's incentive to improve the Company's performance. For these reasons, this Policy prohibits short sales of any Company Securities. In addition, Section 16(c) of the Exchange Act prohibits officers and directors from engaging in short sales.

Margin Accounts and Pledges. Securities held in a margin account as collateral for a margin loan may be sold by the broker without the customer's consent if the customer fails to meet a margin call. Similarly, securities pledged (or hypothecated) as collateral for a loan may be sold in foreclosure if the borrower defaults on the loan. Because a margin sale or foreclosure sale may occur at a time when the pledgor is aware of Material Non-Public Information or otherwise is not permitted to trade in Company Securities, directors, officers and other employees are prohibited from holding Company Securities in a margin account or pledging Company Securities as collateral for a loan. *An exception to this prohibition may be granted in extraordinary circumstances in the discretion of the Board of Directors, where the director, officer or employee clearly demonstrates the financial capacity to repay the loan without resorting to the pledged or margined securities*.

Standing and Limit Orders. Standing and limit orders (except under approved 10b5-1 Plans) create heightened risks for insider trading violations similar to the use of margin accounts are discouraged, and if used should be limited to a very short period of time and must otherwise be in compliance with the procedures in this Policy. A standing order placed with a broker to sell or purchase Company Securities at a specified price leaves the seller with no control over the timing of the transaction, so the broker could execute a transaction at a time when the seller is in possession of Material Non-Public Information, subjecting the seller to potential liability for unlawful insider trading.

Hedging Transactions. Certain forms of hedging or monetization transactions, which can be accomplished through a number of possible mechanisms such as prepaid variable forwards, equity swaps, collars, exchange funds and forward sales contracts, allow a director, officer or employee to lock in much of the value of such person's shares, often in exchange for all or part of the potential for upside appreciation of those shares. Thus, hedging transactions allow the director, officer or employee to continue to own Company Securities, but without the full risks and rewards of ownership. When that occurs, the director, officer or employee may no longer have the same goals and objectives as the Company's other stockholders. Therefore, directors, officers and employees are prohibited from engaging in any such hedging or monetization transactions.

Publicly-Traded Options. Given the relatively short term of publicly-traded options, a transaction in such options is, in effect, a bet on the short-term movement of Company Securities and therefore may create the appearance that the director, officer or employee is trading based on Material Non-Public Information. Transactions in publicly-traded options also may focus the director's, officer's or employee's attention on short-term performance at the expense of the Company's long-term goals, objectives and success. Accordingly, transactions in put options, call options or other derivative securities, on an exchange or in any other organized market, are prohibited by this Policy.

ADDITIONAL REPORTING AND TRADING OBLIGATIONS OF DIRECTORS AND EXECUTIVE OFFICERS

Directors and executive officers of the Company must also comply with the reporting obligations and limitations on short-swing transactions set forth in Section 16 of the Exchange Act. Section 16(a) of the Exchange Act requires virtually all transactions in Company Securities by such persons, including purchases, sales and gifts of shares, grants and exercises of stock options and grants of restricted stock, to be reported to the SEC within two Trading Days of the transaction.

Section 16(b) of the Exchange Act requires such persons to disgorge to the Company any "***profits***" (as defined in Section 16(b)) from any purchases and sales that occur within a six month period, regardless of which securities are purchased and sold and regardless of the order. The practical effect of these provisions is that officers and directors should not both purchase and sell Company Securities within any six-month period, regardless of whether or not they had knowledge of any Material Non-Public Information. The grant and exercise of stock options, and the grant and vesting of restricted stock, under the Company's stock and equity plans, while required to be reported under Section 16(a), are exempt from the short-swing profit recapture provisions of Section 16(b), so long as certain other criteria are met. However, the sale of any shares issued upon the exercise of a stock option or upon the grant of restricted stock is subject to the short-swing profit recapture provisions of Section 16(b).

Section 16(c) of the Exchange Act prohibits any officer or director from making a short sale of Company Securities.

POTENTIAL CRIMINAL AND CIVIL LIABILITY AND/OR DISCIPLINARY ACTION

The purchase or sale of securities by a person while that person is aware of Material Non-Public Information, or the disclosure by a person of Material Non-Public Information to other persons who then trade in Company Securities, is prohibited by federal and state securities laws. Insider trading violations are pursued vigorously by the SEC, U.S. Attorneys and state regulators and enforcement authorities.

The consequences of an insider trading violation can be severe:

- Liability for Insider Trading and Tipping. Federal and state securities laws impose heavy penalties on persons who, in violation of law, either buy or sell securities while aware of Material Non-Public Information or tip Material Non-Public Information along to others who use it to buy or sell securities. These potential penalties may include civil penalties including significant fines and criminal penalties including imprisonment. In addition, a violation of law, or even an SEC investigation that does not result in prosecution, can tarnish a person's reputation and damage a person's career.

- Control Person Liability. The Company and its supervisory personnel, if they fail to take reasonable steps to prevent illegal insider trading, could be subject to "control person" liability for an insider trading violation by a person under their control, and thus likewise become subject to civil penalties such as significant fines and to criminal penalties such as significant criminal fines, as well as damaging the reputation of the Company and its supervisory personnel.

- Possible Company Disciplinary Actions. Employees of the Company who violate this Policy could also be subject to disciplinary action by the Company, which may include without limitation ineligibility for future participation in the Company's stock and equity incentive plans or termination of employment, whether or not such violation of this Policy results in a violation of law.

INDIVIDUAL RESPONSIBILITY

Every officer, director, employee, consultant and contractor has legal and ethical duties and obligations to refrain from engaging in transactions in Company Securities while in possession of Material Non-Public Information regardless of whether there is a Blackout Period and to maintain the confidentiality of information about the Company. Each person subject to this Policy has the individual responsibility to comply with this Policy, and to ensure that every Family Member and Controlled Entity of such person also complies with this Policy. No action, consent, approval or clearance of a transaction by the Company, the Compliance officer or any other officer, director or employee of the Company shall be deemed to constitute legal or investment advice or insulate a person from liability under applicable securities laws. An Insider may, from time to time, have to forego a proposed transaction in Company Securities even if he or she planned to make the transaction before learning of the Material Non-Public Information and even though the Insider believes he or she may suffer an economic loss or forego anticipated profit by waiting.

INQUIRIES

Please direct your questions as to any of the matters discussed in this Policy or its application to a proposed transaction to the Compliance Officer, Joe Spain, by email at jspain@intellinetics.com or by phone (614) 921-8170 x105.

CERTIFICATION

All persons subject to this Policy must certify their receipt, review and understanding of, and intent to comply with, this Policy. A copy of the Certification that must be signed is attached to this Policy. Please sign the Certification and return it to the Company.

INTELLINETICS, INC.
Insider Trading Policy

CERTIFICATION

I hereby certify that:

1. I have received, read and understood the Intellinetics, Inc. Insider Trading Policy.

2. I understand that the Compliance Officer is available to answer any questions I have regarding the Insider Trading Policy

2. I will strictly observe the terms and requirements of the Insider Trading Policy.

Signature: ______________________

Print Name: _____________________

Date: __________________________

Exhibit 21.1

Subsidiaries of the Registrant

Listed below are the subsidiaries of Intellinetics, Inc. as of December 31, 2024.

Subsidiary Name	State/Jurisdiction of Incorporation
1. Intellinetics, Inc.	Ohio
2. Graphic Sciences, Inc.	Michigan

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

Intellinetics, Inc. and Subsidiaries
Columbus, Ohio

We hereby consent to the incorporation by reference in the Registration Statements on Form S-1 (No. 333-237721, 333-222765, 333-210484, and 333-264981) and on Form S-8 (No. 333-286002) of Intellinetics, Inc. of our report dated March 24, 2025 on the consolidated financial statements of Intellinetics, Inc. and Subsidiaries, which appear in this Annual Report on Form 10-K of Intellinetics, Inc.

/s/ GBQ Partners LLC

Columbus, Ohio
March 24, 2025

Exhibit 31.1

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, James F. DeSocio, certify that:

1. I have reviewed this Annual Report on Form 10-K of Intellinetics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 24, 2025

By: */s/ James F. DeSocio*
President and Chief Executive Officer

Exhibit 31.2

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Joseph D. Spain, certify that:

1. I have reviewed this Annual Report on Form 10-K of Intellinetics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 24, 2025

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

Exhibit 32.1

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Intellinetics, Inc. (the “Company”) on Form 10-K for the year ended December 31, 2024, as filed with the Securities and Exchange Commission (the “Report”), I, James F. DeSocio, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 24, 2025

By: */s/ James F. DeSocio*
President and Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Intellinetics, Inc. (the "Company") on Form 10-K for the year ended December 31, 2024, as filed with the Securities and Exchange Commission (the "Report"), I, Joseph D. Spain, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 24, 2025

By: *|s| Joseph D. Spain*
Chief Financial Officer

Exhibit 97

INTELLINETICS, INC.
EXECUTIVE COMPENSATION CLAWBACK POLICY

Introduction

The Board of Directors (the "**Board**") of Intellinetics, Inc. (the "**Company**") believes that it is in the best interests of the Company and its shareholders to create and maintain a culture that emphasizes integrity and accountability and that reinforces the Company's pay-for-performance compensation philosophy. The Board has therefore adopted this policy which provides for the recoupment of certain executive compensation in the event of an accounting restatement resulting from material noncompliance with financial reporting requirements under the federal securities laws (the "**Policy**"). This Policy is designed to comply with Section 10D of the Securities Exchange Act of 1934 (the "**Exchange Act**") and Section 303A.14 of the New York Stock Exchange Listed Company Manual (the "**Clawback Listing Standards**").

Administration

This Policy shall be administered by the Board or, if so designated by the Board, the Compensation Committee, in which case references herein to the Board shall be deemed references to the Compensation Committee. Any determinations made by the Board shall be final and binding on all affected individuals.

Covered Executives

This Policy applies to the Company's current and former executive officers, as determined by the Board in accordance with the definition in Section 10D of the Exchange Act and the Clawback Listing Standards ("**Covered Executives**").

Recoupment; Accounting Restatement

In the event the Company is required to prepare an accounting restatement of its financial statements due to the Company's material noncompliance with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period, the Board will require reimbursement or forfeiture of any excess Incentive Compensation received by any Covered Executive during the three completed fiscal years immediately preceding the date on which the Company is required to prepare an accounting restatement.

Incentive Compensation

For purposes of this Policy, Incentive Compensation means any of the following; provided that, such compensation is granted, earned, or vested based wholly or in part on the attainment of a financial reporting measure:

- Annual bonuses and other short- and long-term cash incentives.
- Stock options.
- Stock appreciation rights.
- Restricted stock.
- Restricted stock units.
- Performance shares.
- Performance units.

Financial reporting measures may include:

- Revenues.
- Net income.
- Earnings before interest, taxes, depreciation, and amortization (EBITDA) or Adjusted EBITDA.

Excess Incentive Compensation: Amount Subject to Recovery

The amount to be recovered will be the excess of the Incentive Compensation paid to the Covered Executive based on the erroneous data over the Incentive Compensation that would have been paid to the Covered Executive had it been based on the restated results, as determined by the Board, without regard to any taxes paid by the Covered Executive in respect of the Incentive Compensation paid based on the erroneous data.

If the Board cannot determine the amount of excess Incentive Compensation received by the Covered Executive directly from the information in the accounting restatement, then it will make its determination based on a reasonable estimate of the effect of the accounting restatement.

Method of Recoupment

The Board will determine, in its sole discretion, the method for recouping Incentive Compensation hereunder which may include, without limitation:

(a) requiring reimbursement of cash Incentive Compensation previously paid;

(b) seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer, or other disposition of any equity-based awards;

(c) offsetting the recouped amount from any compensation otherwise owed by the Company to the Covered Executive;

(d)) cancelling outstanding vested or unvested equity awards; and/or

(e) taking any other remedial and recovery action permitted by law, as determined by the Board.

No Indemnification

The Company shall not indemnify any Covered Executives against the loss of any incorrectly awarded Incentive Compensation.

Interpretation

The Board is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy. It is intended that this Policy be interpreted in a manner that is consistent with the requirements of Section 10D of the Exchange Act, any applicable rules or standards adopted by the Securities and Exchange Commission, and the Clawback Listing Standards.

Effective Date

This Policy shall be effective as of October 2, 2023 (the "**Effective Date**") and shall apply to Incentive Compensation that is received by Covered Executives on or after October 2, 2023, even if such Incentive Compensation was approved, awarded, or granted to Covered Executives prior to October 2, 2023.

Amendment; Termination

The Board may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary to reflect final regulations adopted by the Securities and Exchange Commission under Section 10D of the Exchange Act and to comply with the Clawback Listing Standards and any other rules or standards adopted by a national securities exchange on which the Company's securities are listed. The Board may terminate this Policy at any time.

Other Recoupment Rights

Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company pursuant to the terms of any similar policy in any employment agreement, equity award agreement, or similar agreement and any other legal remedies available to the Company.

Relationship to Other Plans and Agreements

The Board intends that this Policy will be applied to the fullest extent of the law. The Board may require that any employment agreement, equity award agreement, or similar agreement entered into on or after the Effective Date shall, as a condition to the grant of any benefit thereunder, require a Covered Executive to agree to abide by the terms of this Policy. In the event of any inconsistency between the terms of the Policy and the terms of any employment agreement, equity award agreement, or similar agreement under which Incentive Compensation has been granted, awarded, earned or paid to a Covered Executive, whether or not deferred, the terms of the Policy shall govern.

Acknowledgment

The Covered Executive shall sign an acknowledgment form in the form attached hereto as Exhibit A in which they acknowledge that they have read and understand the terms of the Policy and are bound by the Policy.

Impracticability

The Board shall recover any excess Incentive Compensation in accordance with this Policy unless such recovery would be impracticable, as determined by the Board in accordance with Rule 10D-1 of the Exchange Act and the listing standards of the national securities exchange on which the Company's securities are listed.

Successors

This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.

Approved and Adopted by the Board on November 10, 2023.

Exhibit A

CLAWBACK POLICY ACKNOWLEDGMENT

The Board of Directors of Intellinetics, Inc. has adopted the Intellinetics, Inc. Executive Compensation Clawback Policy ("Clawback Policy") which is applicable to the Company's Covered Executives.

I, the undersigned, acknowledge that I have received a copy of the Clawback Policy, as it may be amended, restated, supplemented or modified from time to time, and that I have read it, understand it, and acknowledge that I am fully bound by, and subject to, all of the terms and conditions thereof.

In the event of any inconsistency between the terms of the Clawback Policy and the terms of any employment agreement to which I am a party, or the terms of any compensation plan, program, or arrangement under which Incentive Compensation has been granted, awarded, earned, or paid to me, whether or not deferred, the terms of the Clawback Policy shall govern.

If the Board of Directors determines that any Incentive Compensation I have received must be forfeited, repaid, or otherwise recovered by the Company, I shall promptly take whatever action is necessary to effectuate such forfeiture, repayment, or recovery.

I acknowledge that I am not entitled to indemnification in connection with the Company's enforcement of the Clawback Policy.

I understand that any delay or failure by the Company to enforce any requirement contained in the Clawback Policy will not constitute a waiver of the Company's right to do so in the future.

Any capitalized terms used in this Acknowledgment that are not otherwise defined shall have the meaning ascribed to them in the Clawback Policy.

____
(Executive's Signature)

____
(Executive's Printed Name)

____
(Date)