XT Global, Inc. and Subsidiary

Consolidated Financial Statements

December 31, 2021 and 2020

Independent Accountants' Review Report

To the Board of Directors of
XT Global, Inc. and Subsidiary

We have reviewed the accompanying consolidated financial statements of XT Global, Inc. and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations, changes in shareholder's equity, and cash flows for the years then ended, and the related notes to consolidated financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Consolidated Financial Statements

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

Accountants' Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the consolidated financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of XT Global, Inc. and Subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.

Accountants' Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Baker Tilly US, LLP

Plano, Texas
August 30, 2022

XT Global, Inc. and Subsidiary

Consolidated Balance Sheets
December 31, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	$ 1,323,818	$ 1,824,305
Restricted cash	4,273,882	1,610,611
Accounts receivable	7,066,906	5,111,724
Related party receivables	2,614,003	2,014,523
Prepaid expenses and other current assets	1,648,813	1,341,501
Total current assets	16,927,422	11,902,664
Property and Equipment, Net	1,970,367	1,169,230
Deferred Tax Asset, Net	109,489	395,179
Intangible Assets, Net	79,982	131,863
Total assets	$ 19,087,260	$ 13,598,936
Liabilities and Shareholder's Equity		
Current Liabilities		
Accounts payable and accrued liabilities	$ 11,098,330	$ 7,211,993
Related party payables	403,711	209,347
Line of credit	500,000	-
Current portion of long-term debt	194,719	217,207
Current portion of Paycheck Protection Program loan	-	953,628
Total current liabilities	12,196,760	8,592,175
Deferred rent	21,296	13,606
Long-term debt, net of current portion	564,851	752,103
Paycheck Protection Program loan, net of current portion	-	950,770
Total liabilities	12,782,907	10,308,654
Shareholder's Equity		
Common stock, $0.01 par value; 10,000 shares authorized, issued, and outstanding	100	100
Additional paid-in capital	1,601,047	1,601,047
Retained earnings	4,703,206	1,689,135
Total shareholder's equity	6,304,353	3,290,282
Total liabilities and shareholder's equity	$ 19,087,260	$ 13,598,936

See notes to consolidated financial statements

XT Global, Inc. and Subsidiary

Consolidated Statements of Operations
Years Ended December 31, 2021 and 2020

	2021	2020
Revenues, Net		
Consulting services revenue	$ 23,005,934	$ 20,847,183
Business process outsourcing services revenue	3,325,061	3,133,562
Total	26,330,995	23,980,745
Cost of Revenues	21,172,826	19,809,426
Gross margin	5,158,169	4,171,319
Operating Expenses		
Salaries and wages	1,775,299	1,892,225
Depreciation and amortization	432,604	237,407
General and administrative	1,461,605	1,744,861
Total operating expenses	3,669,508	3,874,493
Income from operations	1,488,661	296,826
Other Income (Expense)		
Gain on forgiveness of Paycheck Protection Program loan	1,904,398	-
Other income	88,598	8,477
Interest expense	(43,665)	(216,286)
Other expense	(23,891)	(9,855)
Total other income (expense)	1,925,440	(217,664)
Income before federal and state income tax expense	3,414,101	79,162
Federal and State Income Tax Expense	(400,030)	(37,248)
Net income	$ 3,014,071	$ 41,914

See notes to consolidated financial statements

XT Global, Inc. and Subsidiary

Consolidated Statements of Changes in Shareholder's Equity
Years Ended December 31, 2021 and 2020

	Common Shares		Additional Paid-In	Retained	Total Shareholder's
	Shares	Amount	Capital	Earnings	Equity
Balance at December 31, 2019	10,000	$ 100	$ 1,601,047	$ 1,647,221	$ 3,248,368
Net income	-	-	-	41,914	41,914
Balance at December 31, 2020	10,000	100	1,601,047	1,689,135	3,290,282
Net income	-	-	-	3,014,071	3,014,071
Balance at December 31, 2021	10,000	$ 100	$ 1,601,047	$ 4,703,206	$ 6,304,353

See notes to consolidated financial statements

XT Global, Inc. and Subsidiary

Consolidated Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities		
Net income	$ 3,014,071	$ 41,914
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	432,604	237,407
Deferred income taxes	285,690	22,682
Gain on forgiveness of Paycheck Protection Program loan	(1,904,398)	-
Changes in operating assets and liabilities:		
Accounts receivable	(1,955,182)	1,717,049
Income taxes payable	-	(284,396)
Prepaid expenses and other current assets	(307,312)	(551,242)
Accounts payable and accrued liabilities	3,886,337	148,052
Deferred rent	7,690	(18,625)
Net cash provided by operating activities	3,459,500	1,312,841
Cash Flows From Investing Activities		
Cash paid for purchase of property and equipment	(1,181,860)	(975,460)
Net cash used in investing activities	(1,181,860)	(975,460)
Cash Flows From Financing Activities		
Net proceeds (payments) of line of credit	500,000	(614,294)
Principal payments on long-term debt	(209,740)	(30,690)
Proceeds from long-term debt	-	1,000,000
Proceeds from paycheck protection program loan	-	1,904,398
Outstanding checks in excess of cash balances	-	(184,433)
Related party receivables	(599,480)	80,108
Related party payable	194,364	(1,277,037)
Net cash provided by (used in) financing activities	(114,856)	878,052
Net increase in cash and cash equivalents and restricted cash	2,162,784	1,215,433
Cash and Cash Equivalents and Restricted Cash, Beginning	3,434,916	2,219,483
Cash and Cash Equivalents and Restricted Cash, Ending	$ 5,597,700	$ 3,434,916
Supplemental Information		
Cash paid for interest	$ 36,986	$ 210,684
Cash paid for federal and state income taxes	$ 900	$ 321,644
Supplemental Disclosure of Noncash Activities		
Intangible assets acquired with accrued liabilities	$ -	$ 155,641
Forgiveness of Paycheck Protection Program loan	$ 1,904,398	$ -

See notes to consolidated financial statements

1. Description of Business and Basis of Presentation

Description of Business

Xenosoft Technologies (India) PVT Ltd. (Xenosoft) is the parent company of XT Global, Inc. and its wholly-owned subsidiary Circulus, LLC (collectively the Company). The Company provides technology services and solutions including accounts payable automation and business processes outsourcing (BPO) services designed to maximize organization efficiency and business growth of a diverse client base. The Company's corporate offices are located in Plano, Texas.

Basis of Presentation

The accounts are maintained, and the consolidated financial statements have been prepared, using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP). All significant intercompany transactions and balances have been eliminated.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

The Company considers all highly-liquid instruments with original maturities of three months or less to be cash equivalents. The Company maintains cash balances in bank accounts that may, at times, exceed the federally-insured limits. Management periodically assesses the financial condition of these institutions for the purpose of assessing credit risk. The Company has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.

Restricted Cash

Restricted cash represents cash receipts from customers for future payments that are made on the behalf of the customers as part of the Company's accounts payable automation services. The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated balance sheets that agree to the amount shown in the consolidated statements of cash flows at December 31:

	2021	2020
Cash and cash equivalents	$ 1,323,818	$ 1,824,305
Restricted cash	4,273,882	1,610,611
Total cash, cash equivalents, and restricted cash	$ 5,597,700	$ 3,434,916

Accounts Receivable

Accounts receivable represents the uncollected portion of amounts recorded as revenues. Management performs periodic analyses to evaluate all outstanding accounts receivable to estimate an allowance for doubtful accounts that may not be collectible, based on the best facts available to management. Management considers historical collection patterns, accounts receivable aging trends and specific identification of disputed invoices in its analyses. After all reasonable attempts to collect a receivable have failed, the receivable is written off against the allowance for doubtful accounts. As of December 31, 2021 and 2020, the Company did not have an allowance for doubtful accounts. The accompanying consolidated statement of operations for the year ended December 31, 2021, included a recovery of $39,482 in bad debt expenses written off in previous years. During the year ended December 31, 2020, bad debt charges amounted to $119.

Revenue Recognition

The Company's revenue is comprised of consulting and BPO services. The Company accounts for revenues from contracts with customers through the following steps:

1. Identification of the contract with a customer
2. Identification of the performance obligations in the contract
3. Determination of the transaction price
4. Allocation of the transaction price to the performance obligations in the contract
5. Recognition of revenue when, or as, the Company satisfies a performance obligation. A performance obligation is a promise in a contract by providing the promised service to its customer.

Revenue is measured as the amount of consideration the Company expects to receive in exchange for providing services. All of the Company's revenue is from services transferred to customers over time. The Company recognizes revenue upon the completion of the services, when consulting or BPO services are provided to customers and collectability is reasonably assured. Revenue is recognized when the Company satisfies its performance obligation under the contract by providing the service to its customer. A contract's transaction price is allocated to each distinct performance obligation within the contract. All of the Company's contracts have a single performance obligation so no allocation of the transaction price is required. The Company's contracts do not give rise to variable consideration with its customers. Neither the type of service sold, or the location of the sale significantly impacts nature, amount, timing, or uncertainty of revenue and cash flows. The Company has elected to exclude from its transaction price any amounts collected from customers for sales, value add, and other taxes. The Company does not have significant contract assets or liabilities as of December 31, 2021 and 2020.

Concentrations

At December 31, 2021, two customers accounted for 25% and 13% of the total accounts receivable balance. Two customers accounted for 18% and 10% of total accounts receivable at December 31, 2020. Management continuously evaluates the credit worthiness of its customers' financial condition and has policies to minimize potential risk. For the year ended December 31, 2021, two customers accounted for 12% and 11% of total revenues. For the year ended December 31, 2020, one customer accounted for 15% of total revenues.

At December 31, 2021, one vendor accounted for 30% of the total accounts payable balance. No vendors comprised 10% or more of the total accounts payable balance at December 31, 2020.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method based on estimated useful lives and commence when the assets are placed in service. The Company has determined the useful lives of furniture, fixtures and equipment to be three to seven years, and the useful lives of leasehold improvements to be the lesser of seven years or the lease term.

Intangible Assets

Intangible assets with a definite life are amortized on a straight-line basis over the estimated economic lives, which are reviewed annually. Intangible assets consisted of an acquired customer list totaling $155,641, which is being amortized over 3 years. Amortization expense related to the customer list intangible asset for the years ended December 31, 2021 and 2020, was $51,881 and $23,778, respectively. The expected future amortization of the intangible asset at December 31, 2021 is as follows: $51,880 for 2022 and $28,102 for 2023. These assets are reviewed annually for impairment. There was no impairment recorded for the years ended December 31, 2021 and 2020.

Income Taxes

Deferred tax assets and liabilities reflect the temporary differences between financial statement and income tax basis of assets and liabilities using the enacted tax rates expected to be in effect when the temporary differences become deductible or payable in the future. Valuation allowances are provided against assets, when necessary, to reduce deferred tax assets to the amount more likely than not to be realized.

The Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the consolidated financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority. The Company recognizes the potential accrued interest and penalties related to unrecognized tax benefits within income tax expense. All tax positions taken related to the Company, for which the statute of limitations remained open have been reviewed, and management is of the opinion that material positions taken by the Company would more likely than not be sustained by examination. Accordingly, the Company has not recorded an income tax liability for uncertain tax positions. The Company’s tax filings for the years ended December 31, 2020, 2019 and 2018 remain open to an audit.

Use of Estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that 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 during the reporting period. Significant estimates and assumptions include management’s assessment of the allowance for doubtful accounts and useful lives of property and equipment. Actual results could differ from these estimates.

Recent Accounting Pronouncements

During February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases in the balance sheet. A lessee should recognize in the balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. During 2018, the FASB also issued ASU No. 2018-01, *Land Easement Practical Expedient*, which permits an entity to elect an optional transition practical expedient to not evaluate land easements that existed or expired before the entity’s adoption of Topic No. 842 and that were not previously accounted for under Accounting Standards Codification (ASC) Topic No. 840; *ASU 2018-10, Codification Improvements to Topic 842, Leases*, which addresses narrow aspects of the guidance originally issued in ASU No. 2016-02; ASU 2018-11, *Targeted Improvements*, which provides entities with an additional (and optional) transition method whereby an entity initially applies the new leases standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption and also provides lessors with a practical expedient, by class of underlying asset, to not separate nonlease components from the associated lease component and, instead, to account for those components as a single component; and ASU No. 2018-20, *Narrow-Scope Improvements for Lessors*, which addresses sales and other similar taxes collected from lessees, certain lessor costs, and the recognition of variable payments for contracts with lease and nonlease components. During 2019, the FASB issued ASU No. 2019-01, *Leases (Topic 842): Codification Improvements* which deferred the effective date for certain entities and, during 2020, issued ASU No. 2020-05, *Effective Dates for Certain Entities*, which deferred the effective date of ASU No. 2016-02 for those entities that had not yet issued their financial statements at the time of ASU No. 2020-05’s issuance. Topic No. 842 (as amended) is effective for annual periods beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early adoption is permitted. The Company is currently assessing the effect that Topic No. 842 (as amended) will have on its consolidated results of operations, financial position and cash flows.

Reclassifications

Certain 2020 consolidated financial statement amounts have been reclassified to conform to the 2021 consolidated financial statement presentation.

3. Related Party Balances and Transactions

The Company enters into various related party transactions throughout the year. The parent company of the Company provides various services to the Company related to application development and the Company advances funds to the parent company from time to time to cover such services. Amounts billed by the parent company during 2021 and 2020 were $3,675,520 and $3,730,208, respectively and advances made by the Company to the parent were $4,275,000 and $3,650,100 for the years ended December 31, 2021 and 2020, respectively. The outstanding balance owed by the parent company to the Company is $2,614,003 and $2,014,523 as of December 31, 2021 and 2020, respectively.

The Company also has a payable amount of $39,995 at December 31, 2021 and 2020 that is owed to the parent company that was incurred partially in 2020 and partially prior to 2020.

The Company also utilizes another related party entity to provide software development, testing and support. Amounts billed by the entity to the Company amounted to $1,951,784 and $1,092,898 for the years ended December 31, 2021 and 2020, respectively. Payments made to the related party totaled $1,757,420 and $1,040,098 for 2021 and 2020, respectively, and the outstanding balance owed to this entity was $313,716 and $119,352 at December 31, 2021 and 2020, respectively.

The Company had an outstanding balance advanced from a related party totaling $50,000 at December 31, 2021 and 2020. The Company did not receive any additional advances from and did not make any payments to the related party during 2021. The Company made payments to the related party totaling $1,436,384 during 2020 and no additional advances were received.

4. Property and Equipment

Property and equipment consisted of the following at December 31:

	2021	2020
Furniture	$ 2,245,054	$ 2,219,498
Leasehold improvements	61,576	61,576
Application development-in-progress	2,368,234	1,211,930
Total property and equipment	4,674,864	3,493,004
Accumulated depreciation	(2,704,497)	(2,323,774)
Property and equipment, net	$ 1,970,367	$ 1,169,230

Depreciation expense related to property and equipment was $380,723 and $213,629, for the years ended December 31, 2021 and 2020, respectively.

5. Debt

Line of Credit

Prior to 2020, the Company entered into a credit agreement with PNC Bank, N.A. (PNC)(formerly BBVA Compass Bank) that provides for a revolving line of credit with a maximum limit of $3,500,000 which matured during August 2020. On August 28, 2020, the Company entered into a new credit agreement with PNC that provides for a revolving line of credit with a maximum limit of $1,500,000. On November 30, 2021, the Company entered into a new revolving line of credit with PNC with a maximum limit of $1,500,000 and a maturity date of August 28, 2022. The line of credit bears interest at the Bank’s prime rate. The interest rate in effect on the revolving line of credit facilities at December 31, 2021 and 2020 was 3.25%. As of December 31, 2021, the balance outstanding under the line of credit totaled $500,000. There was no outstanding balance under the line of credit at December 31, 2020. The line of credit is guaranteed by the President of the Company, an owner of the Company’s parent company.

Accrued interest is due monthly with all amounts outstanding on the line of credit due at maturity on August 28, 2022. The Company incurred interest expense of $12,774 and $7,490 for the years ended December 31, 2021 and 2020 on the line of credit, respectively.

Term Loan

Effective October 2020, the Company entered into a term loan agreement with PNC in the amount of $1,000,000 with a maturity date of October 5, 2025.

Monthly principal payments on the term loan commenced November 5, 2020, in the amount of $18,101 through the maturity date, at which point all unpaid principal and interest is due. The term loan bears interest at 3.25%. As of December 31, 2021 and 2020, the outstanding balance under the term loan totaled $759,570 and $969,310, respectively.

The term loan is secured by substantially all assets of the Company and is guaranteed by the President of the Company, an owner of the Company’s parent company. The Company was in compliance with its loan covenants at December 31, 2021.

Future payments on the term loan as of December 31, 2021, are as follows:

2022	$	194,719
2023		201,142
2024		207,778
2025		155,931
Total	$	759,570

6. Paycheck Protection Program Loan

In April 2020, the Company received loan proceeds in the amount of $1,904,398 under the Paycheck Protection Program (PPP) which was established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act and is administered through the Small Business Administration (SBA). The PPP provides loans to qualifying businesses in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying businesses to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA and are forgivable after a "covered period" (eight or twenty-four weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25% during the covered period. Any unforgiven portion is payable over 2 years if issued before, or 5 years if issued after June 5, 2020 at an interest rate of 1% with payments deferred until the SBA remits the borrower’s loan forgiveness amount to the lender, or, if the borrower does not apply for forgiveness, ten months after the end of the covered period.

In June 2021, the Company received legal release from the PPP loan that it received from the SBA during 2020. The amount forgiven of $1,904,398, has been recorded as forgiveness income in the accompanying consolidated statement of operations for the year ended December 31, 2021.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

7. Commitments and Contingencies

Lease Commitments

The Company leases an office facility under a non-cancelable operating lease with an expiration date of September 30, 2021. On April 27, 2021, the Company renewed and extended the lease agreement for the office facility with a term through March 31, 2027 and monthly payments beginning at $7,099 per month and increasing to $8,818 per month at maturity. For the years ended December 31, 2021 and 2020, rent expense relating to the operating lease agreement was $134,704 and $134,046, respectively.

Future minimum annual payments under the lease agreement as of December 31, 2021, are as follows:

2022	$ 31,608
2023	96,656
2024	99,404
2025	102,152
2026	96,312
Thereafter	35,272
Total	$ 461,404

8. Income Taxes

Income tax expense consisted of the following at December 31, 2021:

	Current	Deferred	Total
Federal income tax expense	$ 69,685	$ 229,777	$ 299,462
State income tax expense	44,655	55,913	100,568
Total tax expense	$ 114,340	$ 285,690	$ 400,030

Income tax expense consisted of the following at December 31, 2020:

	Current	Deferred	Total
Federal income tax expense	$ 35,040	$ 23,922	$ 58,962
State income tax benefit	(21,344)	(370)	(21,714)
Total tax expense	$ 13,696	$ 23,552	$ 37,248

The Company's net deferred tax assets consisted of the following at December 31:

	2021	2020
Deferred tax assets:		
Federal net operating loss carryforward	$ 292,971	$ 678,120
Intangible assets	15,208	-
Deferred rent	5,390	3,397
Total tax deferred tax assets	$ 313,569	$ 681,517
Deferred tax liabilities:		
Property and equipment	$ (204,080)	$ (286,338)
Total deferred tax liabilities	$ (204,080)	$ (286,338)
Deferred income tax assets, net	$ 109,489	$ 395,179

At December 31, 2021, the Company estimates it has approximately $1,157,603 of gross net operating loss carryforwards. The net operating losses generated in 2017 and earlier are eligible for carryforwards for a period of 20 years which will begin to expire in 2031. The annual utilization of the net operating losses generated in year 2018 and forward, do not have an expiration, but are limited to 80% of taxable income in future years.

9. Subsequent Events

In accordance with FASB ASC Topic No. 855, *Subsequent Events*, when preparing the accompanying consolidated financial statements, management of the Company has evaluated all events and transactions occurring subsequent to December 31, 2021, the consolidated balance sheet date, for potential recognition or disclosure through the date the accompanying consolidated financial statements were available to be issued, and has concluded that no events or transactions took place which would require recognition or disclosure in the accompanying consolidated financial statements.