

NEWGEN SOFTWARE, INC.
AUDITED FINANCIAL STATEMENTS
March 31, 2024

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Independent Auditors' Report

To the Board of Directors
Newgen Software, Inc.
McLean, Virginia

Opinion

We have audited the accompanying financial statements of Newgen Software, Inc. (a Delaware corporation), which comprise the balance sheet as of March 31, 2024, and the related statements of income, retained earnings, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Newgen Software, Inc. as of March 31, 2024, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance

but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The income statement detail on page 19 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Ryan + Wetmore, PC

Vienna, Virginia
April 29, 2024

NEWGEN SOFTWARE, INC.

BALANCE SHEET As of March 31, 2024

ASSETS	<u>AMOUNT IN \$</u>
Current Assets	
Cash and cash equivalents	4289660.84
Short-term investments	4581581.97
Accounts receivable, net of allowance for credit losses of 782778.64	10266170.03
Employee advances	2450.00
Prepaid expenses	<u>164525.73</u>
Total current assets	<u>19304388.57</u>
Property and Equipment, at cost	
Furniture and fixtures	155968.45
Computer equipment	<u>119989.62</u>
	275958.07
Less accumulated depreciation/amortisation	<u>224050.35</u>
	<u>51907.72</u>
Other Assets	
Right of use asset	804863.44
Deferred tax asset	197365.82
Deposits	<u>28220.04</u>
Total other assets	<u>1030449.30</u>
	<u>20386745.59</u>
LIABILITIES AND STOCKHOLDER'S EQUITY	
Current Liabilities	
Current portion of lease liability	257108.06
Accounts payable - related party	3984880.00
Accounts payable and accrued expenses	609743.90
Legal settlement payable	50000.00
Provision for annual expenses-incentive	386407.01
Income taxes payable, net	421536.38
Deferred revenue	<u>7021085.63</u>
Total current liabilities	12730760.98
Long-Term Liabilities	
Lease liability, less current portion	<u>561193.01</u>
Total liabilities	<u>13291953.99</u>
Stockholder's Equity	
Common stock, \$200 par value; 10000 shares authorised, 6000 issued and outstanding	1200000.00
Accumulated earnings	<u>5894791.60</u>
	<u>7094791.60</u>
	<u>20386745.59</u>

The Notes to Financial Statements are an integral part of these statements.

NEWGEN SOFTWARE, INC.

STATEMENT OF INCOME
For the Year Ended March 31, 2024

	<u>AMOUNT IN \$</u>
Earned revenue	36167411.98
Operating expenses	<u>34491589.87</u>
Operating income	1675822.11
Other income (expenses)	
Other income	21303.10
Interest income	255823.17
Interest expense	-224.78
Legal settlements	<u>-50000.00</u>
Total other income (expenses)	<u>226901.49</u>
Income before provision for income taxes	1902723.60
Provision for income taxes	<u>475596.73</u>
Net income	<u><u>1427126.87</u></u>

The Notes to Financial Statements are an integral part of these statements.

NEWGEN SOFTWARE, INC.

**STATEMENT OF RETAINED EARNINGS
For the Year Ended March 31, 2024**

	<u>AMOUNT IN \$</u>
Balance, beginning	4467664.73
Net income	<u>1427126.87</u>
Balance, ending	<u><u>5894791.60</u></u>

The Notes to Financial Statements are an integral part of these statements.

NEWGEN SOFTWARE, INC.

STATEMENT OF CASH FLOWS For the Year Ended March 31, 2024

	<u>AMOUNT IN \$</u>
Cash flows from operating activities:	
Net income	1427126.87
Adjustments to reconcile net income to net cash provided by operations:	
Depreciation and amortisation	28128.72
Credit loss expense, net of recoveries	831558.77
Deferred tax expense (benefit)	-141125.11
Accrued interest income on short-term investments	-81581.97
Operating lease right of use asset amortisation	227502.70
Payments to settle operating lease liability	-255541.55
(Increase) decrease in:	
Accounts receivable	-411072.95
Employee advances	-2450.00
Prepaid expenses	46168.13
Deposits	-3040.00
(Decrease) increase in:	
Accounts payable - related party	-2257006.75
Accounts payable and accrued expenses	277935.24
Legal settlement payable	50000.00
Provision for annual expenses-incentive	44065.54
Income taxes payable	403068.02
Deferred revenue	1459932.00
Net cash provided by operating activities	<u>1643667.66</u>
Cash flows from investing activities:	
Purchase of investments	-4500000.00
Proceeds from sale of investments	4556131.97
Purchase of property and equipment	<u>-8075.61</u>
Net cash provided by investing activities	<u>48056.36</u>
Net increase in cash and cash equivalents	1691724.02
Cash and cash equivalents at beginning of year	<u>2597936.82</u>
Cash and cash equivalents at end of year	<u><u>4289660.84</u></u>

The Notes to Financial Statements are an integral part of these statements.

NEWGEN SOFTWARE, INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2024

Note 1 Summary of significant accounting policies

The accounting policies relative to the carrying value of property and equipment is indicated in the captions on the balance sheet. Other significant accounting policies are as follows:

Organization

Newgen Software, Inc. (NSI) (the Company) is a software development and technician placement company with proven expertise in software development, consulting, document management and workflow solutions, outsourcing and computer aided design-related services. Newgen Software, Inc. is a wholly owned subsidiary of Newgen Software Technologies, Limited, (NSTL) a corporation headquartered in New Delhi, India.

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when performance obligations are met. Expenses are recognized in the period the related liability is incurred. The Company recognizes revenue from the marketing and sale of computer software that is prepared by NSTL.

Cash and cash equivalents

The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Financial instruments

The Company's financial instruments are cash and cash equivalents, accounts receivable and accounts payable. The recorded values of cash and cash equivalents, accounts receivable and accounts payable approximate their fair values based on their short-term nature.

Certificates of deposit

The Company classifies certificates of deposit with original maturities of more than three months as held-to-maturity securities. Securities are classified as held-to-maturity when the Company has positive intent and ability to hold the securities to maturity. Held-to-maturity securities are recorded as either short-term or long-term investments on the balance sheet based on contractual maturity date and are recorded at face value plus accrued interest, which approximates fair value. Penalty-free certificates of deposit that are readily convertible into cash with original maturities of more than three months are recorded as short-term investments.

NEWGEN SOFTWARE, INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2024

Note 1 Summary of significant accounting policies (continued)

Accounts receivable

The Company provides credit in the normal course of business. Interest expense is not charged on these contracts. Accounts receivable are stated at the amount management expects to collect from balances outstanding at year end. Past due balances over 90 days and other higher risk amounts are reviewed individually for collectability.

The Company provides an allowance for credit losses that are based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Normal contracts receivable are due 30 days after the issuance of the invoice. Receivables past due more than 90 days are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer. Credit loss expense for the year ended March 31, 2024, totaled \$831558.77.

Sales taxes

The Company's policy is to present taxes collected from customers and remitted to governmental authorities on a net basis. The Company records the amounts collected as a current liability and relieves such liability upon remittance to the taxing authority without impacting revenues or expenses.

Recognition of revenues

The Company recognizes revenue when, or as, they satisfy performance obligations under a contract. A performance obligation is the unit of account for revenue recognition and refers to a promise in a contract to transfer a distinct service or good to the customer. Performance obligations may be satisfied over time or at a point in time. The Company selects the appropriate measure of progress for revenue recognition based on the nature of the performance obligation, contract type and other pertinent contract terms.

Certain contracts may contain multiple performance obligations for revenue recognition purposes. The Company considers each performance obligation that provide value to the customer on a standalone basis a separable element. Separable elements in these arrangements may include the hardware, software, installation services, training and support. The Company initially allocates consideration to each performance obligation using the relative selling price method.

NEWGEN SOFTWARE, INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2024

Note 1 Summary of significant accounting policies (continued)

Recognition of revenues (continued)

Recognizing revenue on contracts involves significant estimates and judgements. Contract terms may include variable consideration, such as reimbursable costs, performance bonuses or other provisions that can either increase or decrease the transaction price. Variable amounts generally are determined upon the achievement of certain performance metrics, program milestones or cost targets and may be based upon customer discretion. When making estimates, the Company considers the customer, contract terms, the complexity of the work and related risks, the extent of customer discretion, historical experience and the potential of a significant reversal of revenue. The Company includes variable consideration in the transaction price only to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved.

Contracts are sometimes modified to account for changes in contract specifications and requirements. Most of the Company's contract modifications are for goods or services that are not distinct from existing contracts and are accounted for as if they were part of the original contract. The effect of a contract modification on the transaction price is recognized as an adjustment to revenue on a cumulative catch-up basis. The Company accounts for contract modifications as a separate performance obligation when the modification results in the promise to deliver additional goods or services that are distinct.

The Company works with private and public entities as well as government agencies across the United States and around the world.

Sale of license

Revenue from sale of licenses for software products is recognized when the significant risks and rewards of ownership have been transferred to the buyer which generally coincides with delivery of licenses to the customers, recovery of the consideration is probable, the associated costs and possible return of software sold can be estimated reliably, there is no continuing effective control over, or managerial involvement with the licenses transferred and the amount of revenue can be measured reliably.

Rendering of services

Revenue from services rendered is recognized in proportion to the stage of completion of the transaction at the reporting date. Efforts or costs expended have been used to measure progress towards completion as there is a direct relationship between input and productivity.

NEWGEN SOFTWARE, INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2024

Note 1 Summary of significant accounting policies (continued)

Recognition of revenues (continued)

Software implementation services

The revenue from fixed price contracts for software implementation is recognized based on proportionate completion method based on hours expended, and foreseeable losses on the completion of contract, if any are recognized immediately. The Company is also involved in time and material contracts and recognizes revenue as the services are performed.

Annual technical services

Revenue from annual technical service and maintenance contracts is recognized ratably over the term of the underlying maintenance arrangement.

Sale of right to use software

Software-as-a-service, that is, a right to access software functionality in a cloud-based-infrastructure provided by the Company. Revenue from arrangements where the customer obtains a “right to access” is recognized over the access period. Revenue from client training, support and other services arising due to the sale of license is recognized as the performance obligations are satisfied. Revenue is recognized, net of returns, trade discounts and volume rebates. This inter alia involves discounting of the consideration due to the present value if payment extends beyond normal credit terms. Reimbursements of out-of-pocket expenses received from customers have been netted off with expense. Amounts received or billed in advance of services to be performed are recorded as deferred revenue. Unbilled revenue represents amounts recognized based on services performed in advance of billing in accordance with contract terms.

Income taxes

The Company has adopted the provisions of FASB *Accounting Standards Codification* 740-10-25-13 “Accounting for Income Taxes”. Deferred tax assets and liabilities are recognized for the future consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their retrospective tax basis. Deferred tax assets, including tax loss and credit carryforwards, and liabilities are measured using enacted rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred income tax expense represents the change during the period in the deferred tax assets and deferred tax liabilities. The components of the deferred taxes are classified as non-current at net.

NEWGEN SOFTWARE, INC.

NOTES TO FINANCIAL STATEMENTS March 31, 2024

Note 1 Summary of significant accounting policies (continued)

Depreciation and amortisation

Depreciation and amortisation expense are calculated by using accelerated and straight-line methods based on their estimated useful life of the assets.

Furniture and fixtures	7 years
Computer equipment	3-7 years

Depreciation and amortisation expense for the year ended March 31, 2024, was \$28128.72.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these statements.

Warranties

The majority of the Company's software contracts include warranties on software for three months from the date of delivery. Based on historical experience with the type of contracts and known risks relative to the contracts, the Company does not anticipate any significant future warranty costs and has therefore not accrued any estimated warranty expense against current operations at March 31, 2024.

Advertising costs

The Company's policy is to expense advertising costs as the costs are incurred. The Company incurred advertising costs during the year ended March 31, 2024 totaling \$131245.16.

NEWGEN SOFTWARE, INC.

NOTES TO FINANCIAL STATEMENTS March 31, 2024

Note 1 Summary of significant accounting policies (continued)

Foreign currency transactions

The U.S. dollar is the “functional currency” of the Company’s worldwide continuing operations. All foreign currency asset and liability amounts are remeasured into U.S. dollars at end-of-period exchange rates. Foreign currency income and expenses are remeasured at average exchange rates in effect during the year. Exchange gains and losses arising from remeasurement of foreign currency-denominated monetary assets and liabilities are included in income in the period in which they occur.

Recently adopted accounting pronouncements

Financial instruments-credit losses – Effective April 1, 2023, the Company adopted the Financial Accounting Standards Board’s (FASB) Accounting Standards Update (ASU) No. 2016-13, Financial instruments – credit losses (Topic 326): Measurement of credit losses on financial instruments (ASU 2016-13), which modifies the measurement of expected credit losses on certain financial instruments. The Company adopted ASU 2016-13 utilizing the modified retrospective transition method. The adoption of ASU 2016-13 did not have a material impact on the Company’s financial statements.

Subsequent events

In accordance with ASC 855, *Accounting for Subsequent Events*, the Company evaluated subsequent events through the date of the auditor’s report, the date these financial statements were available to be issued. There are no material subsequent events that required recognition or additional disclosure in these financial statements.

Note 2 Concentration of credit risk

The Company maintains its cash balances in bank deposit accounts which, at times, may exceed federally insured limits. At March 31, 2024, the Federal Deposit Insurance Corporation (FDIC) guaranteed non-interest bearing and interest-bearing accounts up to \$250000.00 per institution. At March 31, 2024, the Company had \$8283688.83 of uninsured cash balances.

Note 3 Short-term investments

Held-to-maturity securities consisted of certificates of deposit with fair market values of \$4581581.97 at March 31, 2024. At March 31, 2024, all certificates of deposit were classified as short-term. The estimated fair value of each investment approximated its face value plus accrued interest and, therefore, there were no significant unrecognized holding gains or losses.

NEWGEN SOFTWARE, INC.

NOTES TO FINANCIAL STATEMENTS March 31, 2024

Note 4 Accounts receivable

At March 31, 2024, accounts receivable over 90 days totaled \$1380231.76. Of the accounts receivable over 90 days as of March 31, 2024, \$538242.68 has subsequently been collected through the date of the auditor's report.

As of March 31, 2024 and 2023, the accounts receivable balances, net of allowance for credit losses of \$782778.64 and \$339771.30 respectively, were \$10266170.03 and \$10686655.85.

Note 5 Major customers

Percent of revenue as of
March 31, 2024

Centene Management Company, LLC	19.37%
Citigroup Technology, Inc.	10.87%

There was \$2418265.68 of outstanding receivables from these customers at March 31, 2024.

Note 6 Related parties, economic dependency and major supplier

The Company had an outstanding payment of \$3984880.00 due to its sole shareholder at March 31, 2024. The balance on this account at March 31, 2023, was \$6241886.75 due from the Company to the sole shareholder. The Company recorded \$22616210.00 in additional liabilities to the shareholder during the year ended March 31, 2024. The Company repaid the shareholder \$24873216.75 during the year ended March 31, 2024.

The shareholder, which provides products, required skilled and technical manpower to the Company, is a foreign corporation headquartered in New Delhi, India. The Newgen group provides both onshore as well as offshore IT services to US based as well as other clients. NSI primarily bears the responsibility for onsite projects while the offshore software development services are outsourced to NSTL. NSI retains a margin on revenue on its marketing & distribution activities in case of offshore development services. The Company recorded \$21852676.00 as offshore development costs.

The Company recorded \$217214.21 as back-office support cost based on arm's length price on cost plus mark-up basis, \$510169.42 as management support cost charged based on revenue distribution percentage and \$36150.00 as employee transfer cost as a compensation for transfer of employee to the Company consider recruitment agency fee commensurate with level/grade, qualification, and experience from the sole shareholder.

The Company had \$1537991.59 of outstanding receivables due from its sole shareholder at March 31, 2024. The Company has employees that engage in installation and implementation of software services. The sole shareholder subcontracts some portion of its services contract to the Company at a cost-

NEWGEN SOFTWARE, INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2024

Note 6 Related parties, economic dependency and major supplier (continued)

plus mark-up for their delivery and implementation services. The Company invoiced a total of \$6537991.59 to its sole shareholder during the year ended March 31, 2024.

On January 29, 2018, Newgen Software Technologies Limited became a Publicly Listed Organisation on the National Stock Exchange of India Ltd. Newgen Software, Inc. remains a privately held company and will continue to report financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Management believes there is no effect on the accompanying financial statements of Newgen Software, Inc. for the year ended March 31, 2024.

NSTL incurred no employee benefit costs attributable to the employees of the Company at the time of grant of options. The cost related to options granted to the employees of subsidiary companies are considered as Deemed Investment in the books of Parent Company. There is no impact in the books of the Parent company at the time of exercise of options. No employee benefit costs relating to the RSU/ESOP scheme were recorded by the Company or included in the statement of income.

Note 7 Incentive compensation and commissions

The Company has established an incentive compensation program for its employees. The program provides a bonus to reward its skilled workforce for service to the Company. Bonuses are paid quarterly based on their performance during each quarter. The Company has accrued \$386407.01 of unpaid incentives and commissions as of March 31, 2024. The Company also pays sales commissions to certain employees and third parties. The total incentive compensation and commission expense during the year ended March 31, 2024, was \$474071.90 to employees and \$36996.85 to third parties. These amounts were included in sales commission.

Note 8 Cash flow statement disclosure

Cash paid during the year ended March 31, 2024 for:

Interest expense	\$	224.78
Income taxes	\$	182100.00

NEWGEN SOFTWARE, INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2024

Note 9 Income taxes and deferred tax liabilities

At March 31, 2024, the Company has estimated that the current benefit recognized from deferred income taxes is \$(141125.11). The components of the income tax provision for the year ended March 31, 2024, are as follows:

Current:	Federal expense	\$ 478151.61
	State expense	138570.23
Deferred:	Federal expense (benefit)	\$(129283.16)
	State expense (benefit)	<u>(11841.95)</u>
	Income tax provision	<u>\$ 475596.73</u>

Significant components of the Company's deferred tax assets and liabilities are as follows:

Deferred tax assets:

Difference between book and tax credit loss	\$ 211350.23
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Deferred tax liabilities:

Difference between book and tax depreciation	<u>\$ 13984.41</u>
Total net deferred tax assets	<u>\$ 197365.82</u>

Note 10 Leases

During the year ending March 31, 2020, the Company adopted the new ASU 2016-02, *Leases (Topic 842)* for leases. The new standard defines a lease as a contract, or part of a contract, that conveys the right to control the use of identified property, plant or equipment (the underlying asset) for a period of time in exchange for consideration.

Under the new standard, the Company has recognized lease assets and liabilities, with certain exceptions, on the balance sheet. Both financing leases and operating leases create an asset (Right of use or ROU asset) and a liability measured at the present value of the lease payments that are reflected in the accompanying balance sheet. Short-term leases with terms of one year or less, that do not include an option to purchase the underlying asset, are not included in the measurement of lease assets and liabilities.

The Company assessed whether any expired or existing contracts are or contain leases. The lease classification was also assessed to determine whether there were any expired or existing leases classified as operating leases. The Company does not have any existing leases that were classified as capital leases, and accordingly, does not have any leases that will now be classified as financing leases.

NEWGEN SOFTWARE, INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2024

Note 10 Leases (continued)

The Company made an accounting policy election, as a non-public business entity, to use a risk-free discount rate, commensurate with the term of the lease, to determine the present value of the lease payments for each lease agreement. In addition, the Company does not separate the non-lease components contained in “full service” leases for office space.

Operating leases:

The Company’s corporate operations are conducted from facilities in McLean, Virginia that are leased under a non-cancelable operating lease. In August 2020 the Company renewed the lease, which is set to expire on July 31, 2025, base rent was \$7820.00 per month for the period ended March 31, 2024, with annual rent increases built into the agreement. Company has elected a discount rate of 2.50% as of the August 2020 agreement.

In July 2021, the Company entered into a five-year non-cancelable operating lease agreement for office space acquired in McLean, Virginia. The amount of base rent for this lease, was \$3377.89 per month for the period ended March 31, 2024, with annual rent increases of 2.5% per annum built into the agreement. The lease is set to expire in July 2026. Company has elected a discount rate of 2.50% as of the July 2021 agreement.

In August 2017, the Company entered into a five-year non-cancelable operating lease agreement for office space acquired in Tampa, Florida set to expire in February 2023. In October 2023, the Company extended the lease with a new five-year term expiring in March 2029. The amount of base rent for this lease was \$10340.63 per month for the period ended March 31, 2024, with annual rent increases of 3% per annum built into the agreement. The Company has elected a discount rate of 4.50% as of the October 2023 extension agreement.

Lease expenses are recognized on a straight-line basis. Prior to the adoption of ASU 2016-02, accumulated differences between lease expense and cash payments were presented as deferred rent on the balance sheet. Lease expense related to the operating leases for the year ended March 31, 2024 was \$273183.72.

NEWGEN SOFTWARE, INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2024

Note 10 Leases (continued)

Future minimum cash-basis lease payments, exclusive of operating expense increases and real estate taxes, are as follows:

Year ending March 31,	
2025	\$262790.48
2026	204427.32
2027	148403.08
2028	138228.72
2029	142383.96
2030 and beyond	<u>- -</u>
	\$896233.56
Amount representing interest	<u>-77932.49</u>
Lease liability	<u>\$818301.07</u>

The right of use asset is reported in the accompanying balance sheet and totaled 804863.44 as of March 31, 2024.

During the year ended March 31, 2024, the company had the following cash and non-cash activities associated with their leases:

Cash paid for amounts included in the measurement of lease liabilities

Operating cash flows from operating leases: \$255541.55

Non-cash investing and financing activities

Additions to right of use assets obtained from new operating lease liabilities: \$598817.70

The Company also has short-term leases with terms under one year that are not included in the measurement of lease assets and liabilities. These short-term leases are expensed in the period incurred. The total expense incurred on these short-term leases during the year ended March 31, 2024 was \$45680.66.

NEWGEN SOFTWARE, INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2024

Note 11 Retirement plan

The Company maintains a 401(k)-retirement plan to provide retirement benefits for all eligible employees. The plan is a defined contribution plan covering all employees who are age twenty-one or older, have completed 3 months of service and complete over 1,000 hours of service annually. Eligible employees may contribute from 1% to 90% of their annual eligible earnings, limited to a maximum annual amount as set periodically by the Internal Revenue Service. Eligible employees can choose to make Regular 401(k) deferrals (pre-tax) or Roth 401 (k) deferrals (after-tax). The Company matches employee contributions dollar for dollar up to a maximum of 3% of the employee's eligible earnings plus an additional 50% match on salary deferrals between 3% and 5% of the employee's eligible earnings. All participants are immediately vested in their voluntary contributions and the Company's safe harbor matching contributions. The company recorded safe harbor matching contributions of \$122,023.95 for the year ended March 31, 2024.

Note 12 Commitments and contingencies

In the ordinary course of conducting business, the Company may become involved in various disputes resulting in claims or assessments made against the Company. As of the financial statement date, management is not aware of any pending liability that would require adjustment in the accompanying financial statements for the period ended March 31, 2024.

During the year ended March 31, 2024, the Company reached a settlement agreement with a former employee for wrongful termination in the amount of \$250,000.00. Of this amount, \$50,000.00 will be paid out by the Company and the remaining \$200,000.00 will be paid out under the Company's current insurance policy. No amounts have been paid during the year ending March 31, 2024, and the Company's \$50,000.00 obligation has been recorded in current liabilities on the accompanying balance sheet as of March 31, 2024.

Note 13 Accounting for uncertainty in income taxes

The Company applies FASB ASC 740-10-50-15, *Accounting for Uncertainty in Income Taxes* – an interpretation of FASB Statement 109 in accounting for uncertain tax positions. The Company believes it does not have uncertain tax positions. The Company has varying open tax years subject to examination between March 31, 2018 and March 31, 2024. Currently, the Company is not under examination for income tax purposes by any taxing jurisdiction. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits in interest expense. No interest expense related to uncertain tax positions was recognized during the year ended March 31, 2024.

NEWGEN SOFTWARE, INC.

INCOME STATEMENT DETAIL For the Year Ended March 31, 2024

<u>Operating expenses</u>	<u>AMOUNT IN \$</u>
Offshore development & support costs	22580060.00
Payroll and related taxes	6003684.58
Professional fees	1288911.58
Medical insurance	1058596.52
Credit loss expense	831558.77
Sales commission	511068.75
Travel and entertainment	480686.96
Dues and subscriptions	322023.76
Lease expenses	273183.72
Other insurance	229920.43
Exhibitions and seminars	160662.58
Office supplies	155858.33
Advertising and promotion	131245.16
Retirement plan contribution	122023.95
Telephone	85320.55
Recruiting	72083.58
Taxes and licenses	70872.22
Payment processing fees	40698.43
Bank service charges	28321.53
Depreciation and amortisation	28128.72
Direct mail	14564.57
Parking	1325.18
Penalties	790.00
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	34491589.87
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