FILED 10/23/2023
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State of Florida

Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: October 23, 2023

TO: Adam J. Teitzman, Commission Clerk, Office of Commission Clerk

FROM: PM Penny Mallow, Public Utility Analyst II, Office of Industry Development & Market Analysis

RE: Docket No. 20230092-TX- Application for certificate to provide local telecommunications service by Office Management Systems, Inc.

Attached are Office Management Systems Inc.'s requests for documentation. The name of the company should read, Office Management Systems, Inc. Please add to docket file and update docket title. If you have questions please contact me at 413-6586.

RECEIVED-FPSC
2023 OCT 23 PM 1:37
COMMISSION
CLERK

Penny Mallow

From: Randy McDade <RMcDade@logistasolutions.com>
Sent: Monday, October 23, 2023 12:17 PM
To: Penny Mallow; Tax Dept
Subject: RE: Docket No. 20230092-TX - FL Application for Certification - 4th and Final Request

CAUTION: This email originated from outside your organization. Exercise caution when opening attachments or clicking links, especially from unknown senders.

David is our billing analyst

He is a CPA and has been with us for about five years.

From: Penny Mallow <pmallow@psc.state.fl.us>
Sent: Monday, October 23, 2023 11:06 AM
To: Tax Dept <TDept@logistasolutions.com>
Cc: Randy McDade <RMcDade@logistasolutions.com>
Subject: RE: Docket No. 20230092-TX - FL Application for Certification - 4th and Final Request
Importance: High

Renea and Randy,

Can you please clarify David Keeler's position with Office Management Systems, Inc.?

Thank you,

Penny Mallow	Public Utility Analyst

Office of Industry Development & Market Analysis
FLORIDA PUBLIC SERVICE COMMISSION
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850
(850) 413-6586

From: Penny Mallow
Sent: Monday, October 23, 2023 10:47 AM
To: 'Tax Dept' <TDept@logistasolutions.com>
Cc: 'RMcDade@logistasolutions.com' <RMcDade@logistasolutions.com>
Subject: RE: Docket No. 20230092-TX - FL Application for Certification - 4th and Final Request

Renea,

This is sufficcent, thank you. I will continue processing your application.

Penny Mallow	Public Utility Analyst

Office of Industry Development & Market Analysis

FLORIDA PUBLIC SERVICE COMMISSION

2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850
(850) 413-6586

From: Tax Dept <TDept@logistasolutions.com>
Sent: Friday, October 20, 2023 11:33 AM
To: Penny Mallow <pmallow@psc.state.fl.us>
Subject: RE: Docket No. 20230092-TX - FL Application for Certification - 4th and Final Request

CAUTION: This email originated from outside your organization. Exercise caution when opening attachments or clicking links, especially from unknown senders.

Hi Penny,

Will I need to send in a corrected application or will this suffice(I attached a copy of the page 1)? Other requested information will be sent shortly. Please let me know, if I will need to do something different to correct my error....

Office Management Systems, Inc.

Thank you!

From: Penny Mallow <pmallow@psc.state.fl.us>
Sent: Wednesday, October 18, 2023 3:17 PM
To: Tax Dept <TDept@logistasolutions.com>
Subject: RE: Docket No. 20230092-TX - FL Application for Certification - 4th and Final Request
Importance: High

Renea,

The attached letter was mailed September 20, 2023, unfortunately it does not appear to have reached your offices. Because there is no record that the letter was received by your company, we will extend the deadline to submit the required documentation to Wednesday, November 1, 2023. If not received, in full, by that date your application will be denied.

- The name on your application does not **exactly** match the name filed with the Florida Division of Corporations. Please advise of the correct name format including all capital letters and punctuation.

- Please provide **audited** financial statements demonstrating financial ability by submitting a balance sheet, income statement **and** retained earnings statement for **three years**. If your company has not been in business for three years, you may provide pro-forma statements (three years for each statement type).

Penny Mallow	Public Utility Analyst

Office of Industry Development & Market Analysis

FLORIDA PUBLIC
SERVICE COMMISSION

2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850
(850) 413-6586

From: Tax Dept <TDept@logistasolutions.com>
Sent: Friday, September 22, 2023 4:33 PM
To: Penny Mallow <pmallow@psc.state.fl.us>; Tax Dept <TDept@logistasolutions.com>
Subject: RE: Docket No. 20230092-TX - FL Application for Certification - 2nd Request

CAUTION: This email originated from outside your organization. Exercise caution when opening attachments or clicking links, especially from unknown senders.

Hi Penny,

Please find attached requested information.

Thank you,
Renea DeLoach
Corporate Controller
Office Management System, Inc dba Logista
662-244-6500
rdeloach@logista.cc

logista

From: Penny Mallow <pmallow@psc.state.fl.us>
Sent: Tuesday, September 12, 2023 9:53 AM
To: Tax Dept <TDept@logistasolutions.com>
Subject: Docket No. 20230092-TX - FL Application for Certification - 2nd Request
Importance: High

Renea and Randy,

I am in receipt of your application for a Certificate of Authority Competitive Local Exchange Service. In a cursory review of your application, I noticed the following:

The name on your application does not exactly match the name filed with the Florida Division of Corporations. Please advise of the correct name format including all capital letters and punctuation.

Please demonstrate that your company possesses adequate managerial ability, technical ability and financial ability. This is typically done with a resume or bio for the person fulfilling these roles in your company.

Please provide audited financial statements demonstrating financial ability by submitting a balance sheet, income statement and retained earnings statement for three years. If your company has not been in business for three years, you may provide pro-forma statements (three years for each statement type).

Please provide your Florida tariff or price list.

Thank you,

Penny Mallow	Public Utility Analyst

Office of Industry Development & Market Analysis

FLORIDA PUBLIC SERVICE COMMISSION

2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850
(850) 413-6586

Penny Mallow

From:	Microsoft Outlook
To:	'Tax Dept'; 'RMcDade@logistasolutions.com'
Sent:	Monday, October 23, 2023 12:06 PM
Subject:	Relayed: RE: Docket No. 20230092-TX - FL Application for Certification - 4th and Final Request

Delivery to these recipients or groups is complete, but no delivery notification was sent by the destination server:

'Tax Dept' (TDept@logistasolutions.com)

'RMcDade@logistasolutions.com' (RMcDade@logistasolutions.com)

Subject: RE: Docket No. 20230092-TX - FL Application for Certification - 4th and Final Request

APPLICATION

This is an application for (check one):

☒ **Original certificate** (new company)

☐ **Approval of transfer of existing certificate:** Example, a non-certificated company purchases an existing company and desires to retain the original certificate rather than apply for a new certificate.

Please provide the following:

1. Full name of company, including fictitious name(s), that must match identically with name(s) on file with the Florida Department of State, Division of Corporations registration: Office Management Systems, Inc.

2. The Florida Secretary of State corporate registration number: 784259 6295CC

3. F.E.I. Number: 640679888

4. Structure of organization:

The company will be operating as a:
(Check all that apply):

☒ Corporation	☐ General Partnership
☐ Foreign Corporation	☐ Foreign Partnership
☐ Limited Liability Company	☐ Limited Partnership
☐ Sole Proprietorship	☐ Other, please specify below:

If a partnership, provide a copy of the partnership agreement.

If a foreign limited partnership, proof of compliance with the foreign limited partnership statute (Chapter 620.169, FS). The Florida registration number is:

Penny Mallow

From:	Randy McDade <RMcDade@logistasolutions.com>
Sent:	Thursday, October 19, 2023 3:11 PM
To:	Penny Mallow
Subject:	FW: Docket No. 20230092-TX - FL Application for Certification - 4th and Final Request
Attachments:	Office Management Systems, Inc. 3.31.23 Review FINAL.pdf; Office Management Systems Audited.pdf

CAUTION: This email originated from outside your organization. Exercise caution when opening attachments or clicking links, especially from unknown senders.

Penny - see attached audited financial statements per request below.

Also Renea will correct the application.

Thank you for bringing this to our attention.

Randy McDade

William R. McDade
SVP / CFO
327 Yorkville Road East | Columbus, MS 39702
O: (662) 244-6617 C: (662) 574-1661
rmcdade@logistasolutions.com | www.logistasolutions.com
"Logista Delivers Infrastructure Solutions"

View my profile on Linked in

From: Tax Dept <TDept@logistasolutions.com>
Sent: Thursday, October 19, 2023 1:42 PM
To: Randy McDade <RMcDade@logistasolutions.com>
Subject: RE: Docket No. 20230092-TX - FL Application for Certification - 4th and Final Request

Detail by Entity Name

Foreign Profit Corporation
OFFICE MANAGEMENT SYSTEMS, INC.

Filing Information

Document Number F04000004010
FEI/EIN Number 64-0679888
Date Filed07/08/2004

StateMS
StatusACTIVE

Principal Address
327 YORKVILLE ROAD EAST
COLUMBUS, MS 39702

Changed: 02/09/2009
Mailing Address
C/O Randy McDade
327 Yorkville Road East
COLUMBUS, MS 39702

From: Penny Mallow <pmallow@psc.state.fl.us>
Sent: Wednesday, October 18, 2023 3:17 PM
To: Tax Dept <TDept@logistasolutions.com>
Subject: RE: Docket No. 20230092-TX - FL Application for Certification - 4th and Final Request
Importance: High

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Penny Mallow | Public Utility Analyst

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Please provide your Florida tariff or price list.

Thank you,

Penny Mallow	Public Utility Analyst

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FLORIDA PUBLIC SERVICE COMMISSION
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850
(850) 413-6586

OFFICE MANAGEMENT SYSTEMS, INC.

Financial Statements
Years Ended March 31, 2022 and 2021

CONTENTS

HORNE

INDEPENDENT AUDITOR'S REPORT

Stockholders and Board of Directors
Office Management Systems, Inc.
Columbus, Mississippi

Opinion

We have audited the financial statements of Office Management Systems, Inc. (the "Company"), which comprise the balance sheets as of March 31, 2022 and 2021, the related statements of income, stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements (collectively, the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 the Company's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Horne LLP

Ridgeland, Mississippi
June 27, 2022

OFFICE MANAGEMENT SYSTEMS, INC.
Balance Sheets
March 31, 2022 and 2021

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	$ 3,591,676	$ 3,894,592
Trade receivables, less allowance for doubtful accounts of $50,000 in 2022 and $30,000 in 2021	6,927,156	6,175,482
Receivable from affiliate	11,408	17,327
Inventories	1,777,767	106,167
Refundable income taxes	241,853	878,268
Leases receivable, current portion	341,658	858,485
Other current assets	246,383	165,319
Total current assets	13,137,901	12,095,640
Non-current assets		
Property and equipment, net	4,036,538	3,816,916
Leases receivable, less current portion	302,748	567,144
Deferred income taxes, net	726,000	121,000
Total assets	$ 18,203,187	$ 16,600,700
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Borrowings under line of credit	$ 450,203	$ 561,959
Accounts payable	5,519,048	2,629,990
Payable to affiliate	243,996	117,842
Accrued compensation	574,274	566,288
Other accrued expenses	1,568,465	1,014,449
Contract liabilities	648,667	302,129
Current maturities of capital lease obligations	84,794	-
Current maturities of long-term debt	569,792	1,199,132
Total current liabilities	9,659,239	6,391,789
Capital lease obligations, less current maturities	371,325	-
Long-term debt, less current maturities	813,870	3,052,963
Total liabilities	10,844,434	9,444,752
Stockholders' equity		
Common stock, par value $1 per share; 50,000 shares authorized, 1,000 shares issued and outstanding	1,000	1,000
Retained earnings	7,419,949	7,217,144
Treasury stock, 410 shares, at cost	(62,196)	(62,196)
Total stockholders' equity	7,358,753	7,155,948
Total liabilities and stockholders' equity	$ 18,203,187	$ 16,600,700

See accompanying notes.

OFFICE MANAGEMENT SYSTEMS, INC.
Statements of Income
Years Ended March 31, 2022 and 2021

	2022	2021
Net sales	$ 40,827,475	$ 42,357,694
Cost of sales	25,425,641	28,914,697
Gross profit	15,401,834	13,442,997
Selling, general and administrative expenses	17,763,032	15,177,529
Operating loss	(2,361,198)	(1,734,532)
Other income (expense)		
Gain on forgiveness of debt	2,000,000	2,127,961
Interest income	63,744	119,572
Other, net	9,346	5,796
Interest expense	(75,698)	(145,280)
Gain (loss) on sales of property and equipment	6,611	(14,888)
Total other income	2,004,003	2,093,161
Income (loss) before income taxes	(357,195)	358,629
Income tax benefit	(560,000)	(643,000)
Net income	$ 202,805	$ 1,001,629

See accompanying notes.

OFFICE MANAGEMENT SYSTEMS, INC.
Statements of Stockholders' Equity
Years Ended March 31, 2022 and 2021

	Common Stock	Retained Earnings	Treasury Stock	Total
Balance, April 1, 2020	$ 1,000	$ 6,215,515	$ (62,196)	$ 6,154,319
Net income	-	1,001,629	-	1,001,629
Balance, March 31, 2021	1,000	7,217,144	(62,196)	7,155,948
Net income	-	202,805	-	202,805
Balance, March 31, 2022	$ 1,000	$ 7,419,949	$ (62,196)	$ 7,358,753

See accompanying notes.

OFFICE MANAGEMENT SYSTEMS, INC.
Statements of Cash Flows
Years Ended March 31, 2022 and 2021

		2022		2021
Cash flows from operating activities				
Net income	$	202,805	$	1,001,629
Adjustments to reconcile net income to net cash provided by (used in) operating activities				
Depreciation		643,403		535,455
(Gain) loss on sales of property and equipment		(6,611)		14,888
Deferred income taxes		(605,000)		(126,000)
Gain on extinguishment of debt		(2,000,000)		(2,127,961)
Changes in operating assets and liabilities				
Trade accounts receivable		(751,674)		(1,112,781)
Receivable from affiliate		5,919		218,130
Inventories		(1,671,600)		764,987
Refundable income taxes		636,415		(546,778)
Leases receivable		781,223		259,659
Other assets		(81,064)		24,860
Accounts payable		2,889,058		(308,155)
Payable to affiliate		126,154		(222,521)
Accrued compensation		7,986		99,118
Other accrued expenses		554,016		262,990
Unearned revenue		346,538		6,948
Net cash provided by (used in) operating activities		1,077,568		(1,255,532)
Cash flows from investing activities				
Purchases of property and equipment		(217,397)		(223,383)
Proceeds from sales of property and equipment		9,200		36,700
Net cash used in investing activities		(208,197)		(186,683)
Cash flows from financing activities				
Net payments on line of credit		(111,756)		(278,266)
Proceeds from long-term debt		-		6,604,831
Principal payments on long-term debt and capital lease obligations		(1,060,531)		(2,666,091)
Net cash provided by (used in) financing activities		(1,172,287)		3,660,474
Net increase (decrease) in cash and cash equivalents		(302,916)		2,218,259
Cash and cash equivalents, beginning of year		3,894,592		1,676,333
Cash and cash equivalents, end of year	$	3,591,676	$	3,894,592
Supplemental disclosures of noncash financing activities				
Capital lease obligations for equipment	$	476,478	$	-
Notes payable for purchases of transportation equipment	$	171,739	$	272,875
Supplemental disclosures of cash flow information				
Interest paid	$	75,698	$	145,280
Income taxes paid (refunded), net	$	(591,000)	$	30,000

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Nature of Business

Office Management Systems, Inc. (the "Company") is a technology logistics and managed service provider that supplies state-of-the-art, internet-based 24x7 support services as well as turnkey systems design and integration services. The Company serves primarily Fortune 1000, state government, K-12 and higher education customers throughout the Southeast and nationally, with many customers based in the seven-state region of Arkansas, Tennessee, Louisiana, Georgia, Alabama, Mississippi and Florida. The Company has the ability to extend both its logistic and service capabilities across the US by utilizing a vast network of value-added resellers and service providers. Alliances with leading manufacturers such as Hewlett Packard, Cisco, and Microsoft are the backbone of the Company's product offerings. The Company currently operates under the name "Logista" – a name created by the Company to reflect the nature of its business. The Company is headquartered in Birmingham, Alabama, with its key operations in Columbus, Mississippi. Additional locations are in Jackson, Mississippi; Montgomery and Mobile, Alabama; and Atlanta, Georgia.

The principal accounting policies of the Company are as follows:

Use of Estimates

The preparation of the Company's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Trade Receivables

Trade receivables are uncollateralized customer obligations which generally require payment within 30 days from the invoice date. Trade receivables are stated at the invoice amount plus accrued interest. Unpaid accounts over 30 days old are considered delinquent and bear interest at 1.5 percent per month. Interest continues to accrue on delinquent accounts until 90 days, at which time the account is placed on nonaccrual status.

Receivables are reported at estimated net realizable value, after deduction of an allowance for doubtful accounts. The allowance for doubtful accounts is maintained at a level considered adequate by management to provide for potential credit losses. Credit is extended based on an evaluation of the customer's financial condition and generally collateral is not required. Management determines the allowance for doubtful accounts based on historical losses and current economic conditions. On a continuing basis, management analyzes delinquent receivables and once these receivables are determined to be uncollectible, they are written off through a charge to the allowance for doubtful accounts.

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

Inventories

Inventories, which consist of purchased computers and computer related equipment, are recorded at the lower of cost, determined by the first-in, first-out method, or net realizable value.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided using accelerated methods over the following estimated useful lives:

	Useful Life
Buildings and building improvements	31 to 39 years
Equipment	3 to 5 years
Furniture and fixtures	7 years
Transportation equipment	5 years

Maintenance and repairs are charged to operations as incurred. Upon the retirement of property, which is sold or otherwise disposed of, its cost and related accumulated depreciation are removed from the respective accounts and any gain or loss is reflected in the operations of the current period.

Impairment of Long-Lived Assets

The Company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Upon such an occurrence, recoverability of assets to be held and used is measured by comparing the carrying amount to estimated undiscounted future cash flows. If the carrying amount of the asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized based upon the amount by which the carrying amount exceeds the fair value of the asset. There were no such impairment losses recognized during the years ended March 31, 2022 and 2021.

Revenue Recognition

Under Accounting Standards Codification ("ASC") Topic 606, revenue is recognized when control of the promised goods or services is transferred to a customer, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services.

A performance obligation, as defined in ASC 606, is a promise in a contract to transfer a distinct good or service to a customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue at a point in time or over the period of time in which the performance obligation is satisfied.

Generally, the Company records sales upon shipment of the hardware products, net of any discounts, as the Company has no significant post-delivery obligations, the product price is fixed and determinable, collection of the resulting receivable is highly probable and product returns are reasonably estimable. Revenues on products shipped FOB destination is recorded when the customer takes possession of the product. The Company also is party to certain sales-type lease agreements with customers, whereby, revenue is recognized upon shipment of the related product.

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

The Company has certain contracts with customers to provide managed print services. The Company's performance obligations under these contracts include providing printing equipment and supply availability for a specified period of time. The contracts also feature cost per copy printing, which are often subject to monthly minimums and include variable consideration for overages.

Under certain arrangements with customers, revenues are recognized on sales where the Company maintains possession of the products at the customer's request. All risks of ownership of the products are transferred to the customer upon recognition of the sale in accordance with the terms agreed upon with the customer.

The Company has service contracts under which it is the primary obligor and recognizes revenue from these contracts over time as the work is performed by its technicians. The Company sells certain service contracts whereby a fixed fee is received at the inception of the contract. Such fees are recorded as contract liabilities and generally are amortized into net sales on a straight-line basis over the term of the service contract. However, the Company recognizes service contract revenue in proportion to the pattern of cost incurred when it varies significantly from the straight-line method.

When a customer order contains multiple items such as hardware, software and services which are delivered at varying times, the Company recognizes the revenue allocated to each specifically identifiable performance obligation within the contract as each is satisfied. Significant judgments are made regarding the standalone selling price of each performance obligation.

Revenue for certain supplier support and third-party software contracts are presented on a net basis in accordance with the accounting guidance for reporting revenue gross as a principal versus net as an agent. Gross billings for these contracts totaled $10,277,345 and $5,566,087 for the years ended March 31, 2022 and 2021, respectively. Costs netted against revenues for these contracts totaled $8,978,218 and $4,920,046 for the years ended March 31, 2022 and 2021, respectively.

A portion of the Company's business involves shipments directly from its suppliers to its customers. In these transactions the Company is responsible for negotiating price both with the supplier and customer, payment to the supplier, establishing payment terms with the customer and has risk of loss if the customer does not make payment. As the principal with the customer, the company recognizes sales and related cost of sales of the product upon receiving notification from the supplier that the product was shipped.

The Company's revenue streams consisted of the following for the years ended March 31, 2022 and 2021:

	2022	2021
Hardware sales	$ 16,712,283	$ 22,309,513
Managed print services	3,934,536	3,752,086
Service	19,126,065	15,432,071
Software	751,558	235,815
Other	303,033	628,209
Net sales	$ 40,827,475	$ 42,357,694

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

Sales of hardware, software and certain non-recurring service contracts are generally recognized at a point in time as the Company has generally satisfied its performance obligations upon providing the good or service to the customer. Recurring service contracts and managed print arrangements are generally recognized over time as the Company satisfies its ongoing performance obligations.

Shipping and handling charges included within net sales are considered fulfillment activities and not promised services. Costs associated with shipping and handling incurred by the Company in the course of performing these fulfillment activities are included within cost of sales on the statements of income. Sales taxes collected from customers are considered amounts collected on behalf of others and are excluded from the transaction price associated with contracts with customers.

Income Taxes

Deferred income taxes are recognized for the tax consequences in future years of temporary differences between the tax bases of assets and liabilities and their bases for financial reporting purposes at each year end. The amounts recognized are based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with an initial term of greater than 12 months regardless of their classification. Leases with an initial term of 12 months or less will be accounted for similar to current guidance for operating leases. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The Company is required to adopt this standard on April 1, 2022. The Company is in the process of evaluating the impact of this new guidance.

Note 2. Property and Equipment

Property and equipment consisted of the following at March 31, 2022 and 2021:

	2022	2021
Land, buildings and building improvements	$ 4,851,490	$ 4,830,176
Equipment	3,030,192	2,517,642
Furniture and fixtures	524,040	514,047
Transportation equipment	2,495,954	2,270,875
	10,901,676	10,132,740
Less accumulated depreciation	(6,865,138)	(6,315,824)
Property and equipment, net	$ 4,036,538	$ 3,816,916

NOTES TO FINANCIAL STATEMENTS

Note 3. Leases Receivable

The Company leases certain office equipment, consisting primarily of copiers and printers, to various customers. The leases are classified as sales-type leases and expire in various years.

The following table details the components of the lease receivables as of March 31:

	2022	2021
Total minimum lease payments to be received	$ 685,756	$ 1,525,869
Less unearned income	41,350	100,240
Leases receivable	$ 644,406	$ 1,425,629

Total minimum lease payments to be received consisted of the following at March 31, 2022:

Year Ending March 31,	
2023	$ 388,270
2024	255,310
2025	36,054
2026	3,636
2027	2,486
Future minimum lease payments to be received	$ 685,756

Note 4. Leases

The Company leases buildings, equipment and automobiles under various operating leases. The operating leases require the Company to pay the maintenance, insurance, taxes and other expense in addition to the minimum monthly rentals. Rent expense applicable to operating leases, which is included in selling, general and administrative expenses in the accompanying statements of income, totaled $306,096 and $319,989 for the years ended March 31, 2022 and 2021, respectively.

Future minimum payments under operating leases with initial or remaining terms of one year or more consisted of the following at March 31, 2022:

Year Ending March 31,	
2023	$ 253,911
2024	156,476
2025	109,129
2026	108,000
2027	108,000
Thereafter	108,000
Total future minimum lease payments	$ 843,516

NOTES TO FINANCIAL STATEMENTS

Note 4. Continued

In November 2021, the Company entered into an agreement to lease certain equipment and licenses under a capital lease that expires in November 2026. At March 31, 2022, the capitalized cost of the equipment and licenses totaled $476,478 and accumulated amortization totaled $68,068.

Future minimum lease payments under capital leases as of March 31, 2022 are as follows:

Year Ending March 31,		
2023	$	111,747
2024		111,747
2025		111,747
2026		111,747
2027		74,498
Total minimum lease payments		521,486
Less amounts representing interest		(65,367)
Present value of minimum lease payments	$	456,119

Note 5. Credit Facilities and Long-term Debt

Long-term debt consisted of the following at March 31, 2022 and 2021:

		2022		2021
Notes payable to a bank, payable in monthly installments of principal and interest in varying amounts; bearing interest at rates from 3.68 to 4.75 percent; collateralized by real estate and computer and transportation equipment; maturing at various dates through fiscal 2026	$	626,415	$	775,532
Notes payable to a bank, payable in monthly installments of principal and interest in varying amounts; bearing interest at 3.65 percent; collateralized by assignment of certain sales-type leases and related accounts receivable and transportation equipment; maturing at various dates through fiscal 2025		386,300		1,129,073
Note payable to a bank bearing 1.0 percent interest, in connection with the Paycheck Protection Program ("PPP"), forgiven during 2022		-		2,000,000
Notes payable to finance companies, payable in monthly installments of principal and interest in varying amounts; bearing interest at rates from 0.90 to 5.79 percent; collateralized by transportation equipment; maturing at various dates through fiscal 2027		370,947		347,490
Total long-term debt		1,383,662		4,252,095
Less current maturities		569,792		1,199,132
Long-term debt, less current maturities	$	813,870	$	3,052,963

NOTES TO FINANCIAL STATEMENTS

Note 5. Continued

The Company maintains a $3,000,000 line of credit with De Lage Landen Financial Services, Inc. to provide financing for the purchase of inventories. Borrowings totaled $450,203 and $561,959 at March 31, 2022 and 2021, respectively. This arrangement provides for interest-free terms with various maturities that coincide with terms negotiated with the respective vendor. Any outstanding amounts not settled on or before the respective maturity date bear interest at the prime rate plus six percent (9.50 and 9.25 percent at March 31, 2022 and 2021, respectively). The Company's inventory and related proceeds are pledged as collateral to borrowings under this line of credit. Available borrowings under this line of credit totaled approximately $2,549,797 at March 31, 2022.

Aggregate annual maturities of long-term debt based upon the terms of the Company's long-term debt agreements were as follows:

Year Ending March 31,		Amount
2023	$	569,792
2024		279,510
2025		250,778
2026		262,596
2027		20,986
	$	1,383,662

Note 6. Income Taxes

Income tax expense (benefit) for the years ended March 31, 2022 and 2021 consisted of the following:

		2022		2021
Current				
Federal	$	16,000	$	(537,000)
State		29,000		20,000
Total current income taxes		45,000		(517,000)
Deferred				
Federal		(497,000)		(39,000)
State		(108,000)		(87,000)
Total deferred income taxes		(605,000)		(126,000)
Total income tax benefit	$	(560,000)	$	(643,000)

NOTES TO FINANCIAL STATEMENTS

Note 6. Continued

Significant components of the Company's deferred tax assets and liabilities were as follows at March 31, 2022 and 2021:

	2022	2021
Deferred tax liabilities		
Property and equipment	$ 297,000	$ 177,000
Prepaid assets	31,000	19,000
Total deferred tax liabilities	328,000	196,000
Deferred tax assets		
Allowance for doubtful accounts	13,000	8,000
Accrued expenses	214,000	130,000
Inventories	102,000	77,000
Operating loss carryforwards	725,000	102,000
Total deferred tax assets	1,054,000	317,000
Net deferred tax assets	$ 726,000	$ 121,000

The provision for income taxes differs from the income taxes determined by applying the statutory federal income tax rate to income before income taxes for the years ended March 31, 2022 and 2021, due to the following:

	2022	2021
Federal income taxes at statutory rate	$ (75,000)	$ 75,000
State income taxes, net	(62,000)	(53,000)
Nondeductible expenses	2,000	4,000
Nontaxable income	(420,000)	(447,000)
Rate change on NOL Carryback	31,000	(180,000)
Other	(36,000)	(33,000)
Total	$ (560,000)	$ (643,000)

Note 7. Related Party Transactions

In the normal course of business, the Company sells and purchases inventory from an affiliated company. Sales to this affiliate totaled $945,883 and $916,235 in 2022 and 2021, respectively. Purchases from this affiliate, net of rebates, totaled $1,430,909 and $809,303 in 2022 and 2021, respectively. The Company had a net payable to the affiliate related to sales, purchases and rebates earned totaling approximately $243,996 and $117,842 as of March 31, 2022 and 2021, respectively.

The Company charges an affiliate for certain costs incurred with providing support services to the affiliate. During the years ended March 31, 2022 and 2021, the Company charged the affiliate $300,000 and $510,000, respectively, for these services. These charges are netted in selling, general and administrative expenses in the accompanying statements of income. The Company also pays certain expenses for the affiliate and is subsequently reimbursed by the affiliate. As of March 31, 2022 and 2021, the Company had receivables of $11,408 and $9,632, respectively, due from the affiliate for management services provided and certain obligations paid on behalf of the affiliate.

NOTES TO FINANCIAL STATEMENTS

Note 8. Profit Sharing Plan

The Company has a contributory 401(k) and profit-sharing plan (the "Plan") covering substantially all full-time employees that have been employed for at least one year. Employees are allowed to contribute up to 50 percent of their annual wages to the Plan as limited by the Internal Revenue Service. The Company makes matching contributions equal to 50 percent of each participant's contributions up to 4 percent of the participant's compensation. The Company also makes contributions to the Plan on a discretionary basis as determined by the Company's board of directors. The Company's contributions to the Plan totaled $151,160 and $138,450 in 2022 and 2021, respectively.

Note 9. Concentration of Credit Risk

The Company, from time-to-time, maintains cash on deposit at banks in excess of federally insured amounts. Amounts in excess of federal limits as of March 31, 2022, totaled approximately $3,152,000. The Company has not experienced any losses in such accounts.

The Company had one customer which accounted for approximately 29 percent of net sales during the year ended March 31, 2022. During the year ended March 31, 2021, the Company had two customers which accounted for approximately 29 percent of net sales. The Company had three customers which accounted for approximately 58 percent of accounts receivable at March 31, 2022, and three customers which accounted for approximately 46 percent of accounts receivable at March 31, 2021.

Note 10. Commitments and Contingencies

The Company is involved in various claims and litigation in the ordinary course of its business. Management is of the opinion that the outcome of these matters will not have a material adverse effect on the financial position of the Company.

Note 11. Paycheck Protection Program

In response to the COVID-19 pandemic, the Paycheck Protection Program ("PPP") was established under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") and administered by the Small Business Administration (the "SBA"). Companies who met the eligibility requirements set forth by the PPP could qualify for PPP loans. If the loans proceeds are fully utilized to pay qualified expenses, as defined by the PPP, the full principal amount of the PPP loan, along with any accrued interest, may qualify for loan forgiveness, subject to potential reduction based on the level of full-time employees maintained by the organization during the covered period as compared to a baseline period. In April 2020, the Company received proceeds from a bank of approximately $2,128,000 under the first draw of the PPP loan. The loan bore interest at 1 percent and was set to mature two years from the date of the loan.

On January 27, 2021, the Company received proceeds of $2,000,000 from a second draw under the PPP. The loan bore interest at 1.0 and was set to mature five years from the date of the note.

NOTES TO FINANCIAL STATEMENTS

Note 11. Continued

The Company elected to account for these loans in accordance with ASC 470, *Debt*. Under ASC 470, the proceeds received under the loans are recognized as debt. Furthermore, the associated liability with these loans are not derecognized until they are either paid off or the Company is legally released as the primary obligor. The first draw of the PPP loan was forgiven in December 2020. Accordingly, the Company recognized a gain on forgiveness of debt for the first draw totaling $2,127,196 in the accompanying statement of income for the year ended March 31, 2021. The second draw under PPP was forgiven in November of 2021. Accordingly, the Company recognized a gain on forgiveness of debt for the second draw totaling $2,000,000 in the accompanying statement of income for the year ended March 31, 2022.

Note 12. Subsequent Events

Management has evaluated subsequent events through June 27, 2022, the date these financial statements were available to be issued.

OFFICE MANAGEMENT SYSTEMS, INC.

Financial Statements
Years Ended March 31, 2023 and 2022

CONTENTS

HORNE

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Stockholders and Board of Directors
Office Management Systems, Inc.
Columbus, Mississippi

We have reviewed the accompanying financial statements of Office Management Systems, Inc. (the "Company"), which comprise the balance sheet as of March 31, 2023, and the related statements of income, changes in stockholders' equity, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. 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 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 the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

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

Report on 2022 Financial Statements

The 2022 financial statements of Office Management Systems, Inc. were audited by us, and we expressed an unmodified opinion on them in our report, dated June 27, 2022. We have not performed any auditing procedures since that date.

Horne LLP

Ridgeland, Mississippi
June 23, 2023

OFFICE MANAGEMENT SYSTEMS, INC.
Balance Sheets
March 31, 2023 and 2022

	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,409,083	$ 3,591,676
Trade receivables, less allowance for doubtful accounts of $50,000 in 2023 and 2022	5,359,455	6,927,156
Receivable from affiliate	24,342	11,408
Inventories	259,513	1,777,767
Refundable income taxes	30,187	241,853
Leases receivable, current portion	702,704	341,658
Other current assets	208,951	246,383
Total current assets	7,994,235	13,137,901
Non-current assets		
Property and equipment, net	3,499,892	4,036,538
Leases receivable, less current portion	806,659	302,748
Right-of-use assets, operating leases	910,801	-
Right-of-use assets, finance leases	372,973	-
Deferred income taxes, net	1,335,000	726,000
Total assets	$ 14,919,560	$ 18,203,187
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Borrowings under line of credit	$ 531,966	$ 450,203
Accounts payable	3,072,347	5,519,048
Payable to affiliate	135,867	243,996
Accrued compensation	609,770	574,274
Other accrued expenses	1,165,692	1,568,465
Contract liabilities	540,702	648,667
Current maturities of finance lease liabilities	213,106	84,794
Current portion of operating lease liabilities	129,173	-
Current portion of long-term debt	555,147	569,792
Total current liabilities	6,953,770	9,659,239
Finance lease liabilities, less current maturities	537,910	371,325
Operating lease liabilities, less current maturities	781,628	-
Long-term debt, less current maturities	1,186,807	813,870
Total liabilities	9,460,115	10,844,434
Stockholders' equity		
Common stock, par value $1 per share; 50,000 shares authorized, 1,000 shares issued and outstanding	1,000	1,000
Retained earnings	5,520,641	7,419,949
Treasury stock, 410 shares, at cost	(62,196)	(62,196)
Total stockholders' equity	5,459,445	7,358,753
Total liabilities and stockholders' equity	$ 14,919,560	$ 18,203,187

See accompanying notes.

OFFICE MANAGEMENT SYSTEMS, INC.
Statements of Income
Years Ended March 31, 2023 and 2022

	2023	2022
Net sales	$ 65,382,477	$ 40,827,475
Cost of sales	48,460,805	25,425,641
Gross profit	16,921,672	15,401,834
Selling, general and administrative expenses	19,377,275	17,763,032
Operating loss	(2,455,603)	(2,361,198)
Other income (expense)		
Gain on forgiveness of debt	-	2,000,000
Interest income	48,151	63,744
Other, net	631	9,346
Interest expense	(107,987)	(75,698)
Gain on sale of property and equipment	16,500	6,611
Total other income (expense)	(42,705)	2,004,003
Loss before income taxes	(2,498,308)	(357,195)
Income tax benefit	(599,000)	(560,000)
Net income (loss)	$ (1,899,308)	$ 202,805

See accompanying notes.

OFFICE MANAGEMENT SYSTEMS, INC.
Statements of Stockholders' Equity
Years Ended March 31, 2023 and 2022

	Common Stock	Retained Earnings	Treasury Stock	Total
Balance, April 1, 2021	$ 1,000	$ 7,217,144	$ (62,196)	$ 7,155,948
Net income	-	202,805	-	202,805
Balance, March 31, 2022	1,000	7,419,949	(62,196)	7,358,753
Net loss	-	(1,899,308)	-	(1,899,308)
Balance, March 31, 2023	$ 1,000	$ 5,520,641	$ (62,196)	$ 5,459,445

See accompanying notes.

OFFICE MANAGEMENT SYSTEMS, INC.
Statements of Cash Flows
Years Ended March 31, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Net income (loss)	$ (1,899,308)	$ 202,805
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities		
Depreciation	702,154	643,403
Gain on sale of property and equipment	(16,500)	(6,611)
Non-cash lease expense	159,837	-
Deferred income taxes	(609,000)	(605,000)
Bad debt expense	301,654	-
Gain on extinguishment of debt	-	(2,000,000)
Changes in operating assets and liabilities		
Trade accounts receivable	1,266,047	(751,674)
Receivable from affiliate	(12,934)	5,919
Inventories	1,518,254	(1,671,600)
Refundable income taxes	211,666	636,415
Leases receivable	(864,957)	781,223
Other assets	37,432	(81,064)
Accounts payable	(2,446,701)	2,889,058
Payable to affiliate	(108,129)	126,154
Accrued compensation	35,496	7,986
Other accrued expenses	(402,773)	554,016
Operating lease liabilities	(104,510)	-
Unearned revenue	(107,965)	346,538
Net cash provided by (used in) operating activities	(2,340,237)	1,077,568
Cash flows from investing activities		
Purchases of property and equipment	(99,463)	(217,397)
Proceeds from sales of property and equipment	16,500	9,200
Net cash used in investing activities	(82,963)	(208,197)
Cash flows from financing activities		
Net borrowings (payments) on line of credit	81,763	(111,756)
Proceeds from long-term debt	902,865	-
Principal payments on long-term debt and finance lease obligations	(744,021)	(1,060,531)
Net cash provided by (used in) financing activities	240,607	(1,172,287)
Net decrease in cash and cash equivalents	(2,182,593)	(302,916)
Cash and cash equivalents, beginning of year	3,591,676	3,894,592
Cash and cash equivalents, end of year	$ 1,409,083	$ 3,591,676
Supplemental disclosures of noncash financing activities		
Lease right-of-use assets and liabilities recorded upon adoption of ASC 842	$ 1,443,611	$ -
Notes payable for purchases of transportation, equipment and buildings	$ 501,092	$ 171,739
Supplemental disclosures of cash flow information		
Interest paid	$ 107,987	$ 75,698
Income taxes refunded, net	$ 205,750	$ 591,000

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Nature of Business

Office Management Systems, Inc. (the "Company") is a technology logistics and managed service provider that supplies state-of-the-art, internet-based 24x7 support services as well as turnkey systems design and integration services. The Company serves primarily Fortune 1000, state government, K-12 and higher education customers throughout the Southeast and nationally, with many customers based in the seven-state region of Arkansas, Tennessee, Louisiana, Georgia, Alabama, Mississippi and Florida. The Company has the ability to extend both its logistic and service capabilities across the US by utilizing a vast network of value-added resellers and service providers. Alliances with leading manufacturers such as Hewlett Packard, Cisco, and Microsoft are the backbone of the Company's product offerings. The Company currently operates under the name "Logista" - a name created by the Company to reflect the nature of its business. The Company is headquartered in Birmingham, Alabama, with its key operations in Columbus, Mississippi. Additional locations are in Jackson, Mississippi; Montgomery and Mobile, Alabama; and Atlanta, Georgia.

The principal accounting policies of the Company are as follows:

Use of Estimates

The preparation of the Company's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Trade Receivables

Trade receivables are uncollateralized customer obligations which generally require payment within 30 days from the invoice date. Trade receivables are stated at the invoice amount plus accrued interest. Unpaid accounts over 30 days old are considered delinquent and bear interest at 1.5 percent per month. Interest continues to accrue on delinquent accounts until 90 days, at which time the account is placed on nonaccrual status.

Receivables are reported at estimated net realizable value, after deduction of an allowance for doubtful accounts. The allowance for doubtful accounts is maintained at a level considered adequate by management to provide for potential credit losses. Credit is extended based on an evaluation of the customer's financial condition and generally collateral is not required. Management determines the allowance for doubtful accounts based on historical losses and current economic conditions. On a continuing basis, management analyzes delinquent receivables and once these receivables are determined to be uncollectible, they are written off through a charge to the allowance for doubtful accounts.

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

Inventories

Inventories, which consist of purchased computers and computer related equipment, are recorded at the lower of cost, determined by the first-in, first-out method, or net realizable value.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided using accelerated methods over the following estimated useful lives:

	Useful Life
Buildings and building improvements	31 to 39 years
Equipment	3 to 5 years
Furniture and fixtures	7 years
Transportation equipment	5 years

Maintenance and repairs are charged to operations as incurred. Upon the retirement of property, which is sold or otherwise disposed of, its cost and related accumulated depreciation are removed from the respective accounts and any gain or loss is reflected in the operations of the current period.

Impairment of Long-Lived Assets

The Company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Upon such an occurrence, recoverability of assets to be held and used is measured by comparing the carrying amount to estimated undiscounted future cash flows. If the carrying amount of the asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized based upon the amount by which the carrying amount exceeds the fair value of the asset. There were no such impairment losses recognized during the years ended March 31, 2023 and 2022.

Revenue Recognition

Under Accounting Standards Codification ("ASC") Topic 606, revenue is recognized when control of the promised goods or services is transferred to a customer, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services.

A performance obligation, as defined in ASC 606, is a promise in a contract to transfer a distinct good or service to a customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue at a point in time or over the period of time in which the performance obligation is satisfied.

Generally, the Company records sales upon shipment of the hardware products, net of any discounts, as the Company has no significant post-delivery obligations, the product price is fixed and determinable, collection of the resulting receivable is highly probable and product returns are reasonably estimable. Revenues on products shipped FOB destination is recorded when the customer takes possession of the product. The Company also is party to certain sales-type lease agreements with customers, whereby, revenue is recognized upon shipment of the related product.

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

The Company has certain contracts with customers to provide managed print services. The Company's performance obligations under these contracts include providing printing equipment and supply availability for a specified period of time. The contracts also feature cost per copy printing, which are often subject to monthly minimums and include variable consideration for overages.

Under certain arrangements with customers, revenues are recognized on sales where the Company maintains possession of the products at the customer's request. All risks of ownership of the products are transferred to the customer upon recognition of the sale in accordance with the terms agreed upon with the customer.

The Company has service contracts under which it is the primary obligor and recognizes revenue from these contracts over time as the work is performed by its technicians. The Company sells certain service contracts whereby a fixed fee is received at the inception of the contract. Such fees are recorded as contract liabilities and generally are amortized into net sales on a straight-line basis over the term of the service contract. However, the Company recognizes service contract revenue in proportion to the pattern of cost incurred when it varies significantly from the straight-line method.

When a customer order contains multiple items such as hardware, software and services which are delivered at varying times, the Company recognizes the revenue allocated to each specifically identifiable performance obligation within the contract as each is satisfied. Significant judgments are made regarding the standalone selling price of each performance obligation.

Revenue for certain supplier support and third-party software contracts are presented on a net basis in accordance with the accounting guidance for reporting revenue gross as a principal versus net as an agent. Gross billings for these contracts totaled $7,761,315 and $10,277,345 for the years ended March 31, 2023 and 2022, respectively. Costs netted against revenues for these contracts totaled $6,937,886 and $8,978,218 for the years ended March 31, 2023 and 2022, respectively.

A portion of the Company's business involves shipments directly from its suppliers to its customers. In these transactions the Company is responsible for negotiating prices both with the supplier and customer, payment to the supplier, establishing payment terms with the customer and has risk of loss if the customer does not make payment. As the principal with the customer, the Company recognizes sales and related cost of sales of the product upon receiving notification from the supplier that the product was shipped.

The Company's revenue streams consisted of the following for the years ended March 31, 2023 and 2022:

	2023	2022
Hardware sales	$ 38,937,304	$ 16,712,283
Managed print services	5,131,259	3,934,536
Service	20,518,583	19,126,065
Software	554,270	751,558
Other	241,061	303,033
Net sales	$ 65,382,477	$ 40,827,475

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

Sales of hardware, software and certain non-recurring service contracts are generally recognized at a point in time as the Company has generally satisfied its performance obligations upon providing the good or service to the customer. Recurring service contracts and managed print arrangements are generally recognized over time as the Company satisfies its ongoing performance obligations.

Shipping and handling charges included within net sales are considered fulfillment activities and not promised services. Costs associated with shipping and handling incurred by the Company in the course of performing these fulfillment activities are included within cost of sales on the statements of income. Sales taxes collected from customers are considered amounts collected on behalf of others and are excluded from the transaction price associated with contracts with customers.

Lease Accounting

Lessee

The Company determines if an agreement is a lease at the inception of the agreement, and when a lease exists to determine whether the lease is an operating or finance lease. The Company is a party to certain agreements that are classified as operating and finance leases, and those are recorded on the balance sheet as right-of-use assets, current lease liabilities, and long-term lease liabilities. The operating leases to which the Company is a party to are primarily related to office buildings. The finance lease to which the Company is a party to is related to equipment. The Company has elected not to record short-term leases with initial terms of twelve months or less in its balance sheet. Lease expenses related to those short-term leases are recognized on a straight-line basis over the term of the lease.

The initial assets and corresponding liabilities recorded at commencement of the operating leases are based on the present value of the future minimum lease payments over the lease term. In determining the present value, the Company uses the implicit interest rate in the agreement, if provided. If an implicit interest rate is not provided, the Company determines the present value of the future minimum lease payments using its incremental borrowing rate based on available information at the lease commencement. Lease expense is recognized on a straight-line basis over the lease term with a corresponding reduction to the right-of-use asset and the applicable lease liability. Lease expense is classified as selling, general and administrative expense in the accompanying statements of income.

Lessor

The Company's lessor arrangements primarily included the rental of certain office equipment, consisting primarily of copiers and printers. The Company classifies its leases at inception as operating, direct financing, or sales-type leases. A lease is classified as a sales-type lease if at least one of the following criteria is met: (1) the lease transfers ownership of the underlying asset to the lessee, (2) the lease grants the lessee an option to purchase the underlying asset that the lessee is reasonably certain to exercise, (3) the lease term is for a major part of the remaining economic life of the underlying asset, (4) the present value of the sum of the lease payments equals or exceeds substantially all of the fair value of the underlying assets or (5) the underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term.

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

Furthermore, when none of the above criteria is met, a lease is classified as a direct financing lease if both of the following criteria are met: (1) the present value of the of the sum of the lease payments and any residual value guaranteed by the lessee, that is not already reflected in the lease payments, equals or exceeds the fair value of the underlying asset and (2) it is probable that the lessor will collect the lease payments plus any amount necessary to satisfy a residual value guarantee. A lease is classified as an operating lease if it does not qualify as a sales-type or direct financing lease. Currently, the Company classifies all its lessor arrangements as sales-type leases.

Revenues from the Company's lessor arrangements are recognized per copy printing, which are often subject to monthly minimums and include variable consideration for overages.

Income Taxes

Deferred income taxes are recognized for the tax consequences in future years of temporary differences between the tax bases of assets and liabilities and their bases for financial reporting purposes at each year end. The amounts recognized are based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASC Topic 842, *Leases* ("ASC 842"), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less are accounted for similar to previous guidance for operating leases.

The Company adopted ASC 842 effective April 1, 2022. Comparative financial information was not adjusted and continues to be reported under the prior lease accounting guidance in ASC 840. The Company elected the transition relief package of practical expedients, and as a result, the Company did not assess 1) whether existing or expired contracts contain leases, 2) lease classification for any existing or expired leases, and 3) initial direct costs for existing leases. The Company elected the short-term lease practical expedient by establishing an accounting policy to exclude leases with a term of 12 months or less. The Company did not separate lease components from non-lease components for our specified asset classes. The Company did not elect the practical expedient to use hindsight in determining a lease term and impairment of right-of-use assets at the adoption date. Upon adoption, the Company recognized right-of-use assets and corresponding lease liabilities of $1,443,611 on its balance sheet based on the present value of future minimum lease payments under operating leases for which the Company is the lessee. The adoption of ASC 842 did not have a significant impact on the Company's results of operations or cash flows. The adoption of ASC 842 did not result in cumulative effect adjustment to the opening balance of retained earnings.

NOTES TO FINANCIAL STATEMENTS

Note 2. Property and Equipment

Property and equipment consisted of the following at March 31, 2023 and 2022:

		2023		2022
Land, buildings and building improvements	$	4,478,517	$	4,851,490
Equipment		2,323,414		3,030,192
Furniture and fixtures		504,167		524,040
Transportation equipment		2,433,806		2,495,954
		9,739,904		10,901,676
Less accumulated depreciation		(6,240,012)		(6,865,138)
Property and equipment, net	$	3,499,892	$	4,036,538

Note 3. Sales-Type Leases Receivable

The Company leases certain office equipment, consisting primarily of copiers and printers, to various customers. The leases are classified as sales-type leases and expire in various years.

The following table details the components of the lease receivables as of March 31:

		2023		2022
Total minimum lease payments to be received	$	1,685,748	$	685,756
Less unearned income		176,385		41,350
Leases receivable	$	1,509,363	$	644,406

Total minimum lease payments to be received consisted of the following at March 31, 2023:

Year Ending March 31,		
2024	$	702,704
2025		385,705
2026		331,690
2027		265,649
Future minimum lease payments to be received	$	1,685,748

Note 4. Lease Commitments

As described in Note 1, the Company has elected not to record short-term leases on its balance sheet. The Company has recorded operating leases for office buildings in Madison and Columbus, Mississippi, that expire on April 1, 2032. The Company has recorded a finance lease for certain equipment and licenses that expire in November 2026. The leases are presented as right-of-use lease assets and liabilities on the balance sheet. Lease cost is recognized on a straight-line basis over the lease term.

NOTES TO FINANCIAL STATEMENTS

Note 4. Continued

The Company's lease cost consists of the following:

		March 31, 2023
Short-term and variable lease expense	$	87,916
Operating lease expense		129,173
Finance lease expense		
Amortization of ROU asset		64,245
Interest expense		20,692
Total finance lease expense	$	84,937

The future maturities of obligations under operating and finance leases at March 31, 2023 were as follows:

Year		Finance Leases		Operating Leases
2024	$	213,106	$	129,173
2025		213,106		129,173
2026		213,106		129,173
2027		195,618		108,000
2028		25,341		108,000
Thereafter		-		432,000
Total lease payments		860,277		1,035,519
Less: imputed interest		(109,261)		(124,718)
Present value of lease liabilities	$	751,016	$	910,801

The weighted average remaining lease term and discount rate for lease liabilities included in our balance sheet are as follows:

	March 31, 2023
Weighted average remaining lease term (years)	
Finance leases	3.95
Operating leases	8.66
Weighted average discount rate	
Finance leases	6.64%
Operating leases	2.59%

NOTES TO FINANCIAL STATEMENTS

Note 5. Credit Facilities and Long-term Debt

Long-term debt consisted of the following at March 31, 2023 and 2022:

	2023	2022
Note payable to a bank, payable in monthly installments of principal and interest of $12,468; bearing interest at 4.08 percent; collateralized by real estate and computer and transportation equipment; maturing in fiscal 2027	$ 490,501	$ 626,415
Notes payable to a bank, payable in monthly installments of principal and interest in in varying amounts; bearing interest at rates from 3.65 to 7.00 percent; collateralized by assignment of certain sales-type leases and related accounts receivable and transportation equipment; maturing at various dates through fiscal 2025	955,108	386,300
Notes payable to finance companies, payable in monthly installments of principal and interest in varying amounts; bearing interest at rates from 0.90 to 5.79 percent; collateralized by transportation equipment; maturing at various dates through fiscal 2027	296,345	370,947
Total long-term debt	1,741,954	1,383,662
Less current maturities	555,147	569,792
Long-term debt, less current maturities	$ 1,186,807	$ 813,870

The Company maintains a $3,000,000 line of credit with De Lage Landen Financial Services, Inc. to provide financing for the purchase of inventories. Borrowings totaled $531,966 and $450,203 at March 31, 2023 and 2022, respectively. This arrangement provides for interest-free terms with various maturities that coincide with terms negotiated with the respective vendor. Any outstanding amounts not settled on or before the respective maturity date bear interest at the prime rate plus six percent (14.00 and 9.50 percent at March 31, 2023 and 2022, respectively). The Company's inventory and related proceeds are pledged as collateral to borrowings under this line of credit. Available borrowings under this line of credit totaled approximately $2,468,034 at March 31, 2023.

Aggregate annual maturities of long-term debt based upon the terms of the Company's long-term debt agreements were as follows:

Year Ending March 31,	Amount
2024	$ 555,147
2025	561,344
2026	502,137
2027	123,326
	$ 1,741,954

NOTES TO FINANCIAL STATEMENTS

Note 6. Income Taxes

Income tax benefit for the years ended March 31, 2023 and 2022 consisted of the following:

	2023	2022
Current		
Federal	$ -	$ 16,000
State	10,000	29,000
Total current income taxes	10,000	45,000
Deferred		
Federal	(523,000)	(497,000)
State	(86,000)	(108,000)
Total deferred income taxes	(609,000)	(605,000)
Total income tax benefit	$ (599,000)	$ (560,000)

Significant components of the Company's deferred tax assets and liabilities were as follows at March 31, 2023 and 2022:

	2023	2022
Deferred tax liabilities		
Property and equipment	$ 292,000	$ 297,000
Prepaid assets	25,000	31,000
Total deferred tax liabilities	317,000	328,000
Deferred tax assets		
Allowance for doubtful accounts	13,000	13,000
Accrued expenses	223,000	214,000
Inventories	124,000	102,000
Operating loss carryforwards	1,292,000	725,000
Total deferred tax assets	1,652,000	1,054,000
Net deferred tax assets	$ 1,335,000	$ 726,000

The provision for income taxes differs from the income taxes determined by applying the statutory federal income tax rate to income before income taxes for the years ended March 31, 2023 and 2022, due to the following:

	2023	2022
Federal income taxes at statutory rate	$ (525,000)	$ (75,000)
State income taxes, net	(205,000)	(62,000)
Nondeductible expenses	3,000	2,000
Nontaxable income	-	(420,000)
Rate change on NOL Carryback	-	31,000
Other	128,000	(36,000)
Total	$ (599,000)	$ (560,000)

NOTES TO FINANCIAL STATEMENTS

Note 7. Related Party Transactions

In the normal course of business, the Company sells and purchases inventory from an affiliated company. Sales to this affiliate totaled $1,157,978 and $945,883 in 2023 and 2022, respectively. Purchases from this affiliate, net of rebates, totaled $787,748 and $1,430,909 in 2023 and 2022, respectively. The Company had a net payable to the affiliate related to sales, purchases and rebates earned totaling approximately $135,867 and $243,996 as of March 31, 2023 and 2022, respectively.

The Company charges an affiliate for certain costs incurred with providing support services to the affiliate. The Company also pays certain expenses for the affiliate and is subsequently reimbursed by the affiliate. As of March 31, 2023 and 2022, the Company had receivables of $24,342 and $11,408, respectively, due from the affiliate for support services provided and certain obligations paid on behalf of the affiliate.

The Company leases two facilities from an affiliated company. The companies are affiliated by virtue of common ownership. The lease can be terminated by either party at any time and include aggregate annual rental payments of $108,000. Rental payments made to related parties totaled $108,000 for the year ended March 31, 2023 and 2022, respectively and are included as selling, general and administrative expense in the accompanying statements of income.

Note 8. Profit Sharing Plan

The Company has a contributory 401(k) and profit-sharing plan (the "Plan") covering substantially all full-time employees that have been employed for at least one year. Employees are allowed to contribute up to 50 percent of their annual wages to the Plan as limited by the Internal Revenue Service. The Company makes matching contributions equal to 50 percent of each participant's contributions up to 4 percent of the participant's compensation. The Company also makes contributions to the Plan on a discretionary basis as determined by the Company's board of directors. The Company's contributions to the Plan totaled $144,156 and $151,160 in 2023 and 2022, respectively.

Note 9. Concentration of Credit Risk

The Company, from time to time, maintains cash on deposit at banks in excess of federally insured amounts. Amounts in excess of federal limits as of March 31, 2023, totaled approximately $1,131,560. The Company has not experienced any losses in such accounts.

The Company had two customers which accounted for approximately 26 and 20 percent of net sales during the year ended March 31, 2023. During the year ended March 31, 2022, the Company had one customer which accounted for approximately 29 percent of net sales. The Company had three customers which accounted for approximately 58 percent of accounts receivable at March 31, 2022.

Note 10. Commitments and Contingencies

The Company is involved in various claims and litigation in the ordinary course of its business. Management is of the opinion that the outcome of these matters will not have a material adverse effect on the financial position of the Company.

NOTES TO FINANCIAL STATEMENTS

Note 11. Paycheck Protection Program

In response to the COVID-19 pandemic, the Paycheck Protection Program ("PPP") was established under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") and administered by the Small Business Administration (the "SBA"). Companies who met the eligibility requirements set forth by the PPP could qualify for PPP loans. If the loans proceeds are fully utilized to pay qualified expenses, as defined by the PPP, the full principal amount of the PPP loan, along with any accrued interest, may qualify for loan forgiveness, subject to potential reduction based on the level of full-time employees maintained by the organization during the covered period as compared to a baseline period. In April 2020, the Company received proceeds from a bank of approximately $2,128,000 under the first draw of the PPP loan. The loan bore interest at 1 percent and was set to mature two years from the date of the loan.

On January 27, 2021, the Company received proceeds of $2,000,000 from a second draw under the PPP. The loan bore interest at 1.0 and was set to mature five years from the date of the note. The Company elected to account for these loans in accordance with ASC 470, *Debt*. Under ASC 470, the proceeds received under the loans are recognized as debt. Furthermore, the associated liability with these loans are not derecognized until they are either paid off or the Company is legally released as the primary obligor. The first draw of the PPP loan was forgiven in December 2020. Accordingly, the Company recognized a gain on forgiveness of debt for the first draw totaling $2,127,196 in the statement of income for the year ended March 31, 2021. The second draw under PPP was forgiven in November of 2021. Accordingly, the Company recognized a gain on forgiveness of debt for the second draw totaling $2,000,000 in the accompanying statement of income for the year ended March 31, 2022.

Note 12. Subsequent Events

Management has evaluated subsequent events through June 23, 2023, the date these financial statements were available to be issued.