INNOVIZANT, LLC

Financial Statements
and Supplemental Schedules

For the year ended December 31, 2019

With
Independent Auditors' Report and Accompanying Notes

Prepared by:

Chugh CPAs, LLP
1600 Duane Ave, Santa Clara,
CA, 95054

CHUGH

CONTENTS

INDEPENDENT AUDITORS' REPORT

To Members' of Innovizant, LLC
Downers Grove, IL

We have audited the accompanying financial statements of Innovizant, LLC (an Illinois corporation), which comprise the balance sheet as of December 31, 2019 and the related statement of operations and changes in membership interest and cash flows for the year then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the balance sheet of Innovizant, LLC as of December 31, 2019 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.

Chugh CPAs LLP

Chugh CPAs LLP
Santa Clara, CA
January 29, 2020

INNOVIZANT, LLC
BALANCE SHEET
AS OF DECEMBER 31, 2019

CHUGH

ASSETS

CURRENT ASSETS		
Cash	$	231,966
Accounts receivable, net		80,874
Unbilled revenue		2,462
Intercompany Receivable		20,281
Employee advances		223
TOTAL CURRENT ASSETS		335,806
PROPERTY & EQUIPMENT		
Property & equipment		43,151
Less: Accumulated depreciation		(5,226)
PROPERTY & EQUIPMENT, net		37,925
OTHER ASSETS		
Security deposits		5,776
TOTAL OTHER CURRENT ASSETS		5,776
TOTAL NON-CURRENT ASSETS		43,701
TOTAL ASSETS	$	379,507

INNOVIZANT, LLC
BALANCE SHEET
AS OF DECEMBER 31, 2019

LIABILITIES & MEMBERSHIP INTEREST

CURRENT LIABILITIES		
Accounts payable	$	38,035
Accrued expense		24,058
Advances from customers		1,550
Intercompany payable		140
Payroll liability		7,206
Provision for income tax		1,453
Other current liabilities		78
TOTAL CURRENT LIABILITIES		72,520
NON-CURRET LIABILITIES		
Deferred rent		10,252
Deferred Tax Liability		38,209
TOTAL NON - CURRENT LIABILITIES		48,461
MEMBERSHIP INTEREST		
Membership Interest		258,526
TOTAL MEMBERSHIP INTEREST		258,526
TOTAL LIABILITIES & MEMBERSHIP INTEREST	$	379,507

See independent auditors' report and accompanying notes

INNOVIZANT, LLC
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2019

CHUGH

		Year Ended December 31, 2019
Consulting income	$	1,952,279
Cost of sales (Schedule A)		(1,308,119)
Gross profit		644,160
Operating expenses (Schedule B)		(964,794)
Operating loss before income tax		(320,634)
Income tax expense		(62,264)
NET LOSS	$	(382,898)

See independent auditors' report and accompanying notes

INNOVIZANT, LLC
STATEMENT OF CHANGES IN MEMBERSHIP INTEREST
AS OF DECEMBER 31, 2019

CHUGH

	Membership Interest
Balance as of December 31, 2018	$ 641,424
Net loss	(382,898)
Balance as of December 31, 2019	258,526

See independent auditors' report and accompanying notes

INNOVIZANT, LLC
STATEMENT OF CASH FLOWS
AS OF DECEMBER 31, 2019

CHUGH

CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$	(382,898)
Provided by operating activities:		
Depreciation		5,226
Deferred Tax Expense		38,209
Receivable on sale of investment		14,614
(Increase) decrease in operating assets:		
Accounts receivable		444,897
Advances to vendors		28,551
Employee advances		(223)
Intercompany Receivable		(20,281)
Unbilled revenue		(2,462)
Security deposits		(5,776)
Increase (decrease) in operating liabilities:		
Accounts payable		5,997
Accrued expense		9,308
Advances from customers		1,550
Deferred rent		10,252
Intercompany payable		140
Payroll liability		(5,439)
Provision for income tax		(640)
Other current liabilities		(104,611)
Net Cash Provided by Operating Activities		36,414
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment		(43,151)
Net Cash used in Investing Activities		(43,151)
NET DECREASE IN CASH		(6,737)
CASH, beginning of the year		238,703
CASH, ending of the year	$	231,966

See independent auditors' report and accompanying notes

NOTE 1 – DESCRIPTION OF BUSINESS

Innovizant, LLC ("the Company") was incorporated in the state of Illinois on June 23, 2016. The Company is full-service IT provider, focused on delivering Innovative and value driven business analytical solutions leveraging data science, data engineering and decision science to provide winning actionable insights assisting clients in banking, insurance and credit union business to achieve their business goals.

The Company is made up of exceptional data scientists and domain experts with great experience in financial services industry solutions include Credit Risk insights, Customer Churn analysis, Customer segmentation, Fraud detection, Asset and Liability analysis, channel optimization analytics, Financial Advisor Network Analytics and product bundling analytics.

The Company has become single member LLC after acquisition of 100% interest by R Systems Inc. USA effective January 1, 2019.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on accrual basis in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Use of Estimates

The preparation of financial statements and the related disclosures in conformity with generally accepted accounting principles in the United States of America ("GAAP"), requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and revenue and expenses during the period reported. Actual results may differ from these estimates. Estimates are used in accounting from among other things, allowances for uncollectible receivables, depreciation and taxes.

Changes in estimates are reflected in the financial statements in the period in which the changes are made and if material, their effects are disclosed in the notes to the financial statements.

Cash

Cash consists of cash in bank account. Cash balance as of year ended December 31, 2019 is $231,966.

Accounts Receivable

The Company extends credit to its customers in the normal course of business. The Company performs ongoing evaluation of its existing receivables and evaluation of periodic ageing of the accounts to estimate allowance for potential credit losses. Losses are written off against the allowances when determined to be uncollectable. The Company has recognized bad debts against amounting to $43,617 for the year ended December 31, 2019.

Property and equipment

Property and equipment are stated at cost. Depreciation is provided principally on a straight-line method over the estimated useful life of the assets which is 5 years.

The cost of significant additions and replacement of components is capitalized and depreciated while expenditures for maintenance and repairs are charged to expense as incurred. Depreciation expense for the year ended December 31, 2019 is $5,226.

Revenue Recognition

The Company derives revenue from the following sources:

The Company primarily derives revenue from Advanced analytical and data management consulting services. Revenue is recognized in accordance with the terms of Master Services Agreement, Statement of Work or Purchase Order. Agreements for billing can be recorded on time and material milestones or iterations basis. Revenue is adjusted for discounts wherever applicable.

The Company recognizes revenue when all the following criteria are met:

- There is persuasive evidence of an agreement
- Services have been delivered
- The fee is fixed and determinable
- Collectability is probable, and customer creditworthiness has been verified and approved with payment expected within normal payment terms

Persuasive evidence of an agreement: In all but a few circumstances, this requires a written purchase order for the services from the customer or, if applicable, a signed contract.

Delivery has occurred: All the services must be delivered prior to the end of the accounting period for the revenue to be recognized as a sale. Delivery is not deemed to have occurred if there are undelivered services that are essential to the functionality of the delivered elements.

The fee is fixed and determinable: The Company assess whether the sales price is fixed or determinable based on payment terms and whether the sales price is subject to refund or adjustment.

Collectability is probable: The Company's customers are subject to a credit review process that evaluates their financial condition and ability to pay for our products and services.

Income Taxes

The Company is a single member limited liability company which is wholly owned by R Systems Inc., USA. Accordingly, it is treated as a Corporation for the tax purposes. The Company accounts for income taxes in accordance with FASB ASC No. 740 (formerly SFAS No. 109) "*Accounting for Income Taxes*", which requires an assets and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial statements and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers" (Topic 606) which supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance throughout the Industry Topics of the Codification. In April 2016, the FASB issued ASU No.2016-10, that clarifies two aspects of Topic 606: identifying performance obligations and the licensing implementation guidance, while retaining the related principles for those areas. The effective date and transition requirements for the amendments in this Update are the same as the effective date and transition requirements in Topic 606 (and any other Topic amended by Update 2014-09). Management is currently evaluating the new update.

The guidance in this Update affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (for example, insurance contracts or lease contracts). The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

For nonpublic companies the new guidance will be required for annual reporting periods beginning after December 15, 2018, and interim and annual reporting periods after those reporting periods. Nonpublic companies may elect early application, but no earlier than the effective date for public entities. Management is currently evaluating the new standard.

In April 2016, the FASB issued ASU No.2016-10, “Revenue from Contracts with Customers” (Topic 606). This update clarifies two aspects of Topic 606: identifying performance obligations and the licensing implementation guidance, while retaining the related principles for those areas. The effective date and transition requirements for the amendments in this Update are the same as the effective date and transition requirements in Topic 606 (and any other Topic amended by Update 2014-09). Management is currently evaluating the new update.

In August 2016, the FASB issued ASU 2016-15, “Statement of Cash Flows” (Topic 230) on Classification of Certain Cash Receipts and Cash Payments. The amendments in this Update apply to all entities, including both business entities and not-for-profit entities that are required to present a statement of cash flows under Topic 230. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. An entity that elects early adoption must adopt all of the amendments in the same period. The amendments in this Update should be applied using a retrospective transition method to each period presented. If it is impracticable to apply the amendments retrospectively for some of the issues, the amendments for those issues would be applied prospectively as of the earliest date practicable. Management is currently evaluating the new update.

Subsequent Events

As required under FASB ASC 855 “Subsequent Events” (formerly FAS 165), the Company is required to disclose events and transactions after balance sheet date but before the financial statements are available to be issued.

CHUGH

The Company has evaluated the subsequent events until January 29, 2020 which is the date the financial statements are available for issuance. The Company has concluded that no events or transactions have occurred which would require adjustments or disclosures in the Company's financial statements.

NOTE 3 – CONCENTRATION OF RISKS

Accounts Receivables and Sales

The Company performs ongoing credit evaluations of its customers and maintains allowances for potential uncollectable accounts as deemed necessary. The Company generally does not require collateral to secure its accounts receivable.

It estimates credit losses based on management's evaluation of historical experience and current industry trends. Although the Company expects to collect amounts due, actual collections may differ from the estimated amounts.

The Company's revenues and accounts receivable from its major customers as of year ended December 31, 2019 are as follows:

	Revenue		Accounts Receivable	
Clients	Amount	Percentage	Amount	Percentage
A	$ 1,693,439	87%	$ 41,824	52%
B	112,640	6%	-	-

NOTE 4 – RELATED PARTY TRANSACTIONS

The Company is a wholly owned single member limited liability company of R Systems, Inc. USA. The Company receives subcontracting services from R Systems, Inc. USA.

R Systems Inc. USA is a wholly owned subsidiary of R Systems International Limited, India. R Systems International Limited, India provides information technology, accounting, technical support, sales, marketing, and recruiting services to the Company.

Details of transactions between the Company and its related parties are as follows:

R Systems International Limited, India	December 31, 2019
Outside services	$ 101,136
Subcontracting services	185,800
Expenses Reimbursed	6,245
Expense Reimbursement Recoverable	3,008
Inter-company receivable	3,008

R Systems Inc. USA	December 31, 2019
Outside services	$ 112,447
Service Revenue	29,744
Expenses Reimbursed	24,812
Expense Reimbursement Recoverable	29,103
Inter-company receivable	47,017
Inter-company payable	140

CHUGH

NOTE 5 - INCOME TAXES

The Company accounts for income taxes under the provisions of FASB ASC 740, "*Accounting for Income Taxes*". Under ASC 740 deferred taxes result from temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities.
The components of income tax expense (benefit) relating to earnings from operations are as follows:

	December 31, 2019
Current taxes	
Federal	$ -
State	24,055
Total current taxes	$ 24,055
Deferred tax	
Federal	$ 30,922
State	7,287
Total deferred taxes	$ 38,209
Net tax expense (benefit)	$ 62,264

The components of deferred tax asset (liability) as of December 31, 2019 are as follows:

	December 31, 2019
Deferred tax liability	
Accumulated depreciation	$ (9,841)
Cash to accrual catch up – Sec 482 IRC	(95,454)
Deferred tax asset	
Net operating Loss	67,086
Net Deferred Tax Liability	$ 38,209

The U.S. Tax Cuts and Jobs Act (Tax Act) was enacted on December 22, 2017 and introduces significant changes to U.S. income tax law. Effective in 2018, the Tax Act reduces the U.S. statutory tax rate from 35% to 21% and creates new taxes on certain foreign-sourced earnings and certain related-party payments, which are referred to as the global intangible low-taxed income tax and the base erosion tax. There is no GILTI tax liability for the Company.

NOTE 6 – MEMBERSHIP INTEREST

The Company is a Limited Liability Company. The Company is a wholly-owned subsidiary of R Systems, Inc., a California Corporation which provides outsourced solutions for technical support, customer care and report monitoring, primarily in the United States of America.

NOTE 7 – COMMITMENTS UNDER OPERATING LEASE

The Company leases its office in Downers Grove, Illinois under an operating lease that expires in 2019. The Company has entered into new lease agreement to rent out office space. Rent expense are $67,218 for the year ended December 31, 2019.

The Company's lease agreement includes an escalation clause in minimum base rent that has been included in minimum lease payments and considered in the straight-line rent calculation. Differences between the recognized rent expense utilizing the straight-line method and amounts payable under the lease are recorded as deferred rent obligations. Deferred rent as of year ended December 31, 2019 is $10,252.
The future minimum lease payments under this operating lease agreement is as follows:

Year	Amount
2020	70,150
2021	71,572
2022	42,543

NOTE 8 – CONTINGENCIES

There are no pending legal actions, including arbitrations, class actions and other litigation, arising in connection with the Company's activities as IT consultants. Legal reserves are established in accordance with FASB *ASC 450* (formerly known as SFAS No. 5), "*Accounting for Contingencies*". Once established, reserves are adjusted when there is more information available or when an event occurs requiring a change. There are no legal reserves in the statement of financial condition as of December 31, 2019.

CHUGH
TAX | ACCOUNTING | AUDIT | CONSULTING
1600 DUANE AVENUE, SANTA CLARA, CA 95054 | TEL 408.970.0100 | FAX 408.970.0200 | WWW.CHUGH.NET

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION

To the Members'of Innovizant, LLC
Downers Grove, IL

We have audited the financial statements of Innovizant, LLC as of and for the year ended December 31, 2019, and our report thereon dated January 29, 2020, which expressed an unmodified opinion on those financial statements, appears on page 1-2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information in Schedule A – Cost of sales and Schedule B – Operating expenses are presented for purposes of additional analysis and are 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.

Chugh CPAs LLP

Chugh CPAs LLP

Santa Clara, CA
January 29, 2020

LOS ANGELES ● SANTA CLARA ● EDISON ● ATLANTA ● RESTON
BANGALORE ● CHENNAI ● NEW DELHI ● MUMBAI ● CHANDIGARH ● AHMEDABAD

INNOVIZANT, LLC
SCHEDULE A: COST OF SALES
FOR THE YEAR ENDED DECEMBER 31, 2019

CHUGH

		Year Ended December 31, 2019
Outside services	$	455,400
Salaries expense		567,866
Payroll taxes		38,576
Insurance expense		13,017
Intercompany subcontracting expense		185,800
Travel expense		47,460
TOTAL COST OF SALES	$	1,308,119

See independent auditors' report and accompanying notes

INNOVIZANT, LLC
SCHEDULE B: OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Year Ended December 31, 2019
Payroll expense	$ 451,667
Outside Services	213,583
Rent expense	67,218
Travel expense	39,163
Insurance expense	18,617
Professional fees	25,040
Payroll taxes	56,270
Bad Debts	43,617
Membership expense	4,835
Depreciation expense	5,226
Office expense	3,118
Telephone and communication expense	5,448
Utilities	971
Payroll processing expense	2,149
Meals and entertainment	4,928
Other expense	948
Marketing and Sales Promotion	6,745
Immigration expense	15,251
TOTAL OPERATING EXPENSES	$ 964,794

See independent auditors' report and accompanying notes