

Statement of Financial Condition (unaudited) as of June 30, 2023

Executive Summary

Net income, after tax provision, for YTD June 2023 was \$3,038 thousand. This was \$2,376 thousand better than budget.

Total YTD Income of \$23,683 thousand was (\$1,624) thousand less than budget due to less than planned chargeable consulting and project work and less revenue due to a pause in AgVantis implementation. Total YTD Expense of \$20,641 thousand was (\$4,004) thousand less than budget primarily due to less than expected contractor spending on strategic projects.

SunStream's intangible assets continue to grow while cash and receivables decreased at roughly the same rate. This was anticipated with the continued work on PLANT and EPM programs. With the current burn rate of cash for these programs, SunStream continues to draw on its line of credit to fund these programs.

The following pages display SunStream's unaudited financial statements and analysis for YTD June 2023.

Income Statement – YTD June 2023

SunStream Business Services			
Income Statement			
(dollars in thousands)			
	YTD June 2023		
	Actual	Budget	Actual vs Budget
Vendor Services Income	\$ 23,975	\$ 25,307	\$ (1,333)
Interest Expense	(292)	-	(292)
Total Income	\$ 23,683	\$ 25,307	\$ (1,624)
Salaries & Benefits	\$ 10,695	\$ 10,323	\$ 372
Purchased Services	6,240	10,526	(4,286)
Depreciation and Maintenance	5,194	5,569	(374)
Communication	1,875	1,484	391
Other Operating Expenses	1,249	1,235	14
Capital Labor Credits	(4,612)	(4,491)	(121)
Total Expense	\$ 20,641	\$ 24,646	\$ (4,004)
Pretax Income	\$ 3,042	\$ 662	\$ 2,380
Provision for Income Taxes	4	0	4
Net Income	\$ 3,038	\$ 662	\$ 2,376

- **Net Income (after tax provision)** of \$3,038 thousand was \$2,376 thousand more than budget. The favorable variance is due to the factors noted below.
- **Total Income** of \$23,683 thousand was (\$1,624) thousand less than budget of \$25,307 thousand. The unfavorable variance is primarily due to less than-planned consulting hours billed to customers and revenue not realized for onboarding AgVantis due to a pause in implementation.
- **Total Operating Expenses** of \$20,641 thousand was (\$4,004) thousand less than the budget of \$24,646 thousand due to the following:
 - o **Salaries & Benefits expense** was \$372 thousand more than budget primarily due to contractor conversions.
 - o **Purchased Services expense** was (\$4,286) thousand less than budget primarily due to delays in payment of contractor invoices assigned to strategic programs and the conversion of contract resources to employees.
 - o **Depreciation and Maintenance expense** was (\$374) thousand lower than budget due to less-than-planned capital purchases in the prior and current year.
 - o **Communication expense** was \$391 thousand more than budget due to greater than planned postage related to mailing service.

- **Other Operating expense** was \$14 thousand greater than budget due to timing of audit related vendor spend.
- **Capital Labor Credits** were (\$121) thousand greater than budget due to greater than planned capitalized labor related to Project PLANT during the first half of 2023.

Statement of Condition - December 31, 2022 vs June 30, 2023

SunStream Business Services			
Statement of Condition			
(thousands)			
	2022	2023	Increase/ (Decrease)
	December	June	
Assets			
Cash	\$ 7,109	\$ 4,959	\$ (2,150)
Prepaid Assets	3,562	3,030	(532)
Fixed Assets, net	2,809	2,186	(623)
Intangible Assets, net	26,759	33,857	7,098
Right of Use Assets, Net	3,004	2,602	(402)
Other Assets	1,168	883	(285)
Total Assets	\$ 44,411	\$ 47,517	\$ 3,106
Liabilities			
Accrued Employee benefits	\$ 3,266	\$ 2,807	\$ (459)
Lease Liabilities, Net	3,117	2,725	(392)
Note Payable to AgriBank	11,030	15,763	4,733
Other Liabilities	4,471	655	(3,816)
Total Liabilities	\$ 21,884	\$ 21,950	\$ 66
Shareholders' Equity			
Common Stock	\$ 22,500	\$ 22,500	\$ -
Unallocated Earnings	25	3,063	3,038
Accumulated OCI	2	2	-
Total Shareholders' Equity	\$ 22,527	\$ 25,565	\$ 3,038
Total Liabilities and Equity	\$ 44,411	\$ 47,515	\$ 3,104

ASSETS:

- **Cash** decreased (\$2,150) thousand from \$7,109 thousand on December 31, 2022 to \$4,959 thousand on March 31, 2023. The decrease in cash is primarily due to development costs related to PLANT and EPM Programs. Further analysis of changes in cash is explained below in the Statement of Cash Flows.

- **Prepaid Assets** decreased (\$532) thousand from \$3,562 thousand on December 31, 2022, to \$3,030 thousand on June 30, 2023. The decrease is due to run-off and a lower volume of prepaid maintenance contracts on computer hardware and software.
- **Fixed Assets, net** decreased (\$623) thousand from \$2,809 thousand on December 31, 2022, to \$2,186 thousand on June 30, 2023 due to the normal depreciation of hardware and software assets.
- **Intangible Assets, net** increased \$7,098 and is due primarily to the capitalization of labor costs comprised of \$6,566 thousand related to the PLANT program, \$986 thousand related to the EPM program, partially offset by (\$494) thousand of depreciation of internally developed software assets. In Q2, the EPM financial reporting project was completed and \$4,000 thousand was converted from construction in progress to an internally developed software asset. On June 30, 2023, the total amount capitalized to construction in progress was \$29,240 thousand and consisted primarily of \$28,471 thousand related to PLANT and \$736 thousand related to EPM.
- **Right of Use Assets, net** decreased (\$402) thousand from \$3,004 thousand on December 31, 2022, to \$2,602 thousand on June 30, 2023. The decrease is due to the normal amortization of operating leases (occupancy sublease and MFP/Printer lease).
- **Other Assets** decreased (\$285) thousand from \$1,168 thousand on December 31, 2022 to \$883 thousand on June 30, 2023. The decrease is primarily due a decrease in accounts receivable related to collection of amounts due from customers outside the AgriBank District.

LIABILITIES & EQUITY:

- **Accrued Employee Benefits** decreased (\$459) thousand from \$3,266 thousand on December 31, 2022, to \$2,807 thousand on June 30, 2023. The decrease is due to the payout of 2022 annual incentives, partially offset by the accrual of 2023 incentive expense.
- **Lease Liabilities** decreased (\$392) thousand from \$3,117 thousand on December 31, 2022, to \$2,725 thousand on June 30, 2023. The decrease is due to the normal amortization of operating leases (occupancy sub-lease and MPF/Printer lease).
- **Note Payable to AgriBank** increased \$4,733 thousand from \$11,030 thousand on December 31, 2022, to \$15,763 thousand on June 30, 2023. The increase is due to funding expenses related to the PLANT project.

- **Other Liabilities** decreased (\$3,816) thousand from \$4,471 thousand on December 31, 2022, to \$655 thousand on June 30, 2023. The decrease is primarily due to the payment of \$2,233 thousand in year-end expense accruals.
- **Total Shareholder's Equity** increased \$3,038 thousand from \$22,527 thousand on December 31, 2022, to \$25,565 thousand on June 30, 2023. The increase is due to the recognition of \$3,038 thousand of net income YTD in June 2023. This is temporary and we expect a net income of zero by December 2023.

Statement of Cash Flows - December 31, 2022 through June 30, 2023

SunStream Business Services	
Cash Flow Statement	
(dollars in thousands)	
	2023
	YTD June
Cash flows from operating activities	
Net Income	\$ 3,038
Depreciation of Fixed Assets	1,421
Amortization on Intangible Assets	494
Decrease in Other Assets	285
Decrease in Right of Use Assets	401
Decrease in Lease Liabilities	(391)
Decrease in Prepaid Assets	532
Decrease in Other Liabilities	(4,274)
Net Cash Provided by Operating Activities	\$ 1,506
Cash flows from investing activities	
Capitalized software development costs	\$ (7,591)
Purchases of fixed assets	(798)
Net Cash used by Investing Activities	\$ (8,389)
Cash flows from financing activities	
Increase in Line of Credit	\$ 4,733
Net cash provided by financing activities	\$ 4,733
Total Change in Cash	\$ (2,150)
Cash, Beginning of Period	7,109
Cash, End of Period	\$ 4,959

SunStream's cash decreased by (\$2,150) thousand from \$7,109 thousand on December 31, 2022, to \$4,959 thousand on June 30, 2023. The decrease in cash is due to (\$8,389) thousand spent on investment activities, partially offset by \$1,506 thousand generated by operating activities and \$4,733 of cash generated by financing activities.

- **Net income** provided \$3,038 thousand of cash from December 31, 2022, to June 30, 2023.

- **Depreciation and amortization** are adjustments to net income of \$1,421 thousand and \$1,974 thousand, respectively that result in an increase in cash.
- **Capitalized Development Costs** were a net use of (\$7,591) thousand in cash due primarily to the capitalization of labor expense related to PLANT and EPM projects.
- **Other liabilities** were the use of (\$4,274) thousand in cash and are primarily due to the payout of annual incentives and other year-end accruals as mentioned above.
- **Purchases of fixed assets** was a net use of (\$798) thousand due to the purchase of computer hardware and software.
- **Prepaid assets** were a source of \$532 thousand of cash due to a lower volume of prepaid maintenance contracts on computer hardware and software contracts.
- **Line of Credit** provided debt financing of \$4,733 thousand of cash to fund activity related to PLANT project as noted above.