

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

Executive Summary

Net income, after tax provision, for YTD September 2023 was \$2,477 thousand. This was \$1,689 thousand better than budget. SunStream operates on a break-even strategy and we expect net income to be zero by December 2023.

Total YTD Income of \$35,249 thousand was \$(2,789) thousand less than budget due to less than planned chargeable consulting and project work. Total YTD Expense of \$32,776 thousand was \$(4,484) thousand less than budget primarily due to less than expected contractor spending on strategic projects.

SunStream's intangible assets continue to grow due to continued work on PLANT and EPM programs. With the current burn rate of cash for these programs, SunStream continues to draw on its note payable to fund these programs. SunStream implemented a change from funding operations from cash on hand to utilizing our note payable with AgriBank. All cash that was previously held in a checking account was used to pay down a portion of the balance of the note payable. All cash used for operations and investing activities is now funded by or used to pay down our note payable with AgriBank.

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

Income Statement – YTD September 2023

SunStream Business Services			
Income Statement			
(in thousands)			
	YTD September 2023		
	Actual	Budget	Actual vs Budget
Vendor Services Income	\$ 35,736	\$ 38,038	\$ (2,302)
Other Income	(487)	-	(487)
Total Income	\$ 35,249	\$ 38,038	\$ (2,789)
Salaries & Benefits	\$ 14,059	\$ 13,622	\$ 437
Purchased Services	5,378	10,158	(4,780)
Depreciation and Maintenance	8,069	8,701	(632)
Communications	2,625	2,117	508
Other Operating Expenses	2,635	2,652	(17)
Total Expense	\$ 32,766	\$ 37,250	\$ (4,484)
Pretax Income	\$ 2,483	\$ 788	\$ 1,695
Provision for Income Taxes	6	0	6
Net Income	\$ 2,477	\$ 788	\$ 1,689

- **Net Income (after tax provision)** of \$2,477 thousand was \$1,689 thousand more than budget. The favorable variance is due to the factors noted below.
- **Total Income** of \$35,249 thousand was \$(2,789) thousand less than budget of \$38,038 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 \$32,766 thousand was \$(4,484) thousand less than the budget of \$37,250 thousand due to the following:
 - o **Salaries & Benefits expense** was \$437 thousand more than budget primarily due to contractor conversions.
 - o **Purchased Services expense** was \$(4,780) thousand less than budget primarily due to less than planned contractor spending on strategic projects, delays in payment of contractor invoices assigned to strategic programs, and the conversion of contract resources to employees.
 - o **Depreciation and Maintenance expense** was (\$632) thousand lower than budget due to less-than-planned capital purchases in the prior and current year.
 - o **Communications expense** was \$508 thousand higher than budget due to additional postage and processing expense related to our mailing service.
 - o **Other Operating expense** was materially flat to budget.

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

SunStream Business Services			
Statement of Condition			
(in thousands)			
	2022	2023	Increase/ (Decrease)
	December	September	
Assets			
Cash and Equivalents	\$ 7,109	\$ 59	\$ (7,050)
Prepaid Assets	3,562	2,655	(907)
Fixed Assets, net	2,809	1,888	(921)
Intangible Assets, net	26,759	36,227	9,468
Right of Use Assets, Net	3,004	2,400	(604)
Other Assets	1,167	865	(302)
Total Assets	\$ 44,410	\$ 44,094	\$ (316)
Liabilities			
Accrued Employee benefits	3,266	3,452	186
Lease Liabilities, Net	3,116	2,528	(588)
Note Payable to AgriBank	11,030	12,761	1,731
Other Liabilities	4,470	350	(4,120)
Total Liabilities	\$ 21,882	\$ 19,091	\$ (2,791)
Shareholders' Equity			
Common Stock	\$ 22,500	\$ 22,500	\$ -
Unallocated Earnings	25	2,501	2,476
Accumulated OCI	3	2	(1)
Total Shareholders' Equity	\$ 22,528	\$ 25,003	\$ 2,475
Total Liabilities and Equity	\$ 44,410	\$ 44,094	\$ (316)

ASSETS:

- **Cash and Equivalents** decreased (\$7,050) thousand from \$7,109 thousand on December 31, 2022 to \$59 thousand on September 30, 2023. The decrease in cash was due to the change from funding operations from cash on hand to utilizing our note payable with AgriBank as described above.
- **Prepaid Assets** decreased (\$907) thousand from \$3,562 thousand on December 31, 2022, to \$2,655 thousand on September 30, 2023. The decrease is due to normal run-off and a lower volume of new prepaid maintenance contracts related to computer hardware and software.

- **Fixed Assets, net** decreased \$(921) thousand from \$2,809 thousand on December 31, 2022, to \$1,888 thousand on September 30, 2023 due to the normal depreciation of hardware and software assets.
- **Intangible Assets, net** increased \$9,468 from \$26,759 thousand on December 31, 2022, to \$36,227 thousand on September 30, 2023. Intangible assets, net is comprised of amounts recorded to work in progress related to the EPM and PLANT capital projects and internally developed software assets that are currently depreciating. Through YTD September 2023, \$8,330 thousand of PLANT labor and \$1,371 thousand of EPM labor was capitalized. Additionally, there was a \$500 thousand purchase for Stock Tracking Software. These increases were partially offset by \$(792) thousand of depreciation on internally developed software assets. During Q2 2023, the EPM reporting project was completed and \$4,000 thousand was converted from construction in progress to an internally developed software asset. On September 30, 2023, the total amount recorded to construction in progress was \$31,909 thousand and consisted primarily of \$30,734 thousand related to PLANT and \$967 thousand related to EPM.
- **Right of Use Assets, net** decreased (\$604) thousand from \$3,004 thousand on December 31, 2022, to \$2,400 thousand on September 30, 2023. The decrease is due to the normal amortization of operating leases (occupancy sublease and MFP/Printer lease).
- **Other Assets** decreased \$(302) thousand from \$1,167 thousand on December 31, 2022 to \$865 thousand on September 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** increased \$186 thousand from \$3,266 thousand on December 31, 2022, to \$3,452 thousand on September 30, 2023. The increase is primarily due to the accrual of incentive expense related to a larger workforce.
- **Lease Liabilities** decreased (\$588) thousand from \$3,116 thousand on December 31, 2022, to \$2,528 thousand on September 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 \$1,731 thousand from \$11,030 thousand on December 31, 2022, to \$12,761 thousand on September 30, 2023. The increase is due to funding expenses related to the PLANT project, partially offset by the use of cash to paydown the balance as described above.

- **Other Liabilities** decreased \$(4,120) thousand from \$4,470 thousand on December 31, 2022, to \$350 thousand on September 30, 2023. The decrease is primarily due to \$(2,233) thousand related to year-end expense accruals and \$(1,935) thousand related to a decrease in accounts payable due to timing of cash.
- **Total Shareholder's Equity** increased \$2,475 thousand from \$22,528 thousand on December 31, 2022, to \$25,003 thousand on September 30, 2023. The increase is due to the recognition of net income as of YTD September 2023. This is temporary and we project a net income of zero by December 2023.

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

SunStream Business Services	
Cash Flow Statement	
(in thousands)	
	2023
	<u>YTD September</u>
Operating Activities:	
Net Income	\$ 2,477
Depreciation of Fixed Assets	2,064
Amortization on Intangible Assets	792
(Increase)/Decrease in Other Assets	302
(Increase)/Decrease in Right of Use Assets	604
Increase/(Decrease) in Lease Liabilities	(589)
(Increase)/Decrease in Prepaid Assets	907
Increase/(Decrease) in Other Liabilities	(3,934)
Net Cash Provided by Operating Activities	<u>\$ 2,623</u>
Investing Activities	
(Increase)/Decrease in Capitalized Development Costs	\$ (10,260)
(Increase)/Decrease in Purchases of Fixed Assets	(1,143)
Net Cash used for Investing Activities	<u>\$ (11,403)</u>
Financing Activities	
Increase/(Decrease) in Line of Credit	\$ 1,730
Net Cash provided by Financing Activities	<u>\$ 1,730</u>
Total Change in Cash	\$ (7,050)
Cash, Beginning of Period	7,109
Cash Equivalents, End of Period	<u>\$ 59</u>

SunStream's cash decreased by \$(7,050) thousand from \$7,109 thousand on December 31, 2022, to \$59 thousand of cash equivalents on September 30, 2023. The decrease in cash is due to (\$11,403) thousand spent on investment activities, partially offset by \$2,623 thousand provided by operating activities and \$1,730 of cash provided by financing activities. The overall

decrease in cash was primarily due to the change in funding from cash on hand to our note payable with AgriBank as described above. For the period December 31, 2022, to September 30, 2023, sources and use are as follows:

- **Net income** provided \$2,477 thousand of cash from December 31, 2022, to September 30, 2023.
- **Depreciation of Fixed Assets and Amortization on Intangible Assets** were adjustments to net income of \$2,064 thousand and \$792 thousand respectively, resulting in a total increase in cash of \$2,856.
- **Other assets, right of use assets, and Prepaid assets decreased** resulting in a source of \$1,813 thousand in cash. Other assets decreased \$(302) thousand primarily due to collection of accounts receivable. Right of use assets decreased \$(604) due to normal run off. Prepaid assets decreased \$(907) thousand due to a lower volume of prepaid maintenance contracts on computer hardware and software contracts.
- **Other liabilities and lease liabilities** were a use of \$(4,523) thousand in cash and was primarily due to the payment of year end expense accruals, reduction of accounts payable, and the normal runoff of lease liabilities.
- **Capitalized Development Costs** were a net use of \$(10,260) thousand in cash due to the capitalization of labor expense related to PLANT and EPM projects, as well as the purchase of the Stock Tracking Software noted above.
- **Purchases of fixed assets** was a use of \$(1,143) thousand due to the purchase of computer hardware and software.
- **Line of Credit** provided financing of \$1,730 thousand of cash to fund activity primarily related to project PLANT.