

Statement of Financial Condition (unaudited) as of March 31, 2023

Executive Summary

Net income, after tax provision, for YTD March 2023 was \$2,634 thousand. This was \$2,303 thousand better than budget.

Total Income for the year of \$12.0 million was \$(0.8) million less than budget due to less than planned chargeable consulting and project work and less revenue due to a pause in AgVantis implementation. Total Expense of \$9.3 million was \$(3.1) million less than budget primarily due to less than expected contractor spending on strategic projects.

SunStream's fixed 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 drew again on its line of credit in the first quarter to fund these programs.

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

Income Statement – YTD March 2023

SunStream Business Services			
Income Statement			
(thousands)			
	YTD March 2022		
	Actual	Budget	Actual vs Budget
Vendor Services Income	\$ 12,076	\$ 12,755	\$ (679)
Other Income	(116)	-	(116)
Total Income	\$ 11,960	\$ 12,755	\$ (795)
Salaries & Benefits	\$ 5,178	\$ 5,104	\$ 73
Purchased Services	2,816	5,810	(2,995)
Depreciation and Maintenance	2,531	2,779	(248)
Communication	1,062	817	244
Other Operating Expenses	290	159	131
Capital Labor Credits	(2,551)	(2,246)	(305)
Total Expense	\$ 9,325	\$ 12,423	\$ (3,098)
Pretax Income	\$ 2,634	\$ 331	\$ 2,303
Provision for Income Taxes	0	0	0
Net Income	\$ 2,634	\$ 331	\$ 2,303

- **Net Income (after tax provision)** of \$2,634 thousand was \$2,303 thousand more than budget. The favorable variance is due to the factors noted below.
- **Total Income** of \$11,960 thousand was \$(795) thousand less than budget of \$12,755 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 \$9,325 thousand was \$(3,098) thousand less than the budget of \$12,423 thousand due to the following:
 - o **Purchased Services expense** was \$(2,995) thousand less than budget primarily due to delays in payment of contractor invoices assigned to strategic programs.
 - o **Depreciation and Maintenance expense** was (\$248) thousand lower than budget due to less-than-planned capital purchases in the prior and current year.
 - o **Communication expense** was \$244 thousand more than budget due to greater than planned postage related to mailing service.
 - o **Other Operating expense** was \$131 thousand more than budget due to higher-than-expected server room repairs and maintenance and training expense.
 - o **Capital Labor Credits** were \$(305) thousand more than budget due to timing of capitalized labor related to Project PLANT during Q1.

Statement of Condition - December 31, 2022 through March 31, 2023

SunStream Business Services			
Statement of Condition			
(thousands)			
	2022	2023	Increase/ (Decrease)
	December	March	
Assets			
Cash	\$ 7,109	\$ 3,344	\$ (3,765)
Prepaid Assets	3,562	2,913	(649)
Fixed Assets, net	2,809	2,361	(448)
Intangible Assets, net	26,759	30,795	4,036
Right of Use Assets, Net	3,004	2,804	(200)
Other Assets	1,168	1,279	111
Total Assets	\$ 44,411	\$ 43,496	\$ (915)
Liabilities			
Accrued Employee benefits	\$ 3,266	\$ 2,146	\$ (1,120)
Lease Liabilities, Net	3,117	2,922	(195)
Note Payable to AgriBank	11,030	12,627	1,597
Other Liabilities	4,471	639	(3,832)
Total Liabilities	\$ 21,884	\$ 18,334	\$ (3,550)
Shareholders' Equity			
Common Stock	\$ 22,500	\$ 22,500	\$ -
Unallocated Earnings	25	2,659	2,634
Accumulated OCI	2	3	1
Total Shareholders' Equity	\$ 22,527	\$ 25,162	\$ 2,635
Total Liabilities and Equity	\$ 44,411	\$ 43,496	\$ (915)

ASSETS:

- **Cash** decreased (\$3,765) thousand from \$7,109 thousand on December 31, 2022 to \$3,344 million 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 (\$649) thousand from \$3,562 thousand on December 31, 2022, to \$2,913 thousand on March 31, 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 \$(448) thousand from \$2,809 thousand on December 31, 2022, to \$2,361 thousand on March 31, 2023 due to the normal depreciation of hardware and software assets.
- **Intangible Assets, net** increased \$4,036 from \$26,759 December 31, 2022 to \$30,795 on March 31, 2023 due primarily to the capitalization of labor costs and is comprised primarily of \$3,500 thousand related to the PLANT program and \$663 thousand related to the EPM program. On March 31, 2023, total capitalized labor consisted of \$25,405 thousand related to PLANT and \$4,409 thousand related to EPM.
- **Right of Use Assets, net** decreased (\$200) thousand from \$3,004 thousand on December 31, 2022, to \$2,804 thousand on March 31, 2023 due to the normal amortization of operating leases (occupancy sublease and MFP/Printer lease).
- **Other Assets** increased \$111 thousand from \$1,168 thousand on December 31, 2022 to \$1,279 thousand on March 31, 2023. The increase is due to prepaid pension expense of \$222 thousand.

LIABILITIES & EQUITY:

- **Accrued Employee Benefits** decreased \$(1,120) thousand from \$3,266 thousand on December 31, 2022, to \$2,146 thousand on March 31, 2023. The decrease is due to the payout of 2022 annual incentives, partially offset by the accrual of 2023 incentive expense.
- **Lease Liabilities** decreased (\$195) thousand from \$3,117 thousand on December 31, 2022, to \$2,922 thousand on March 31, 2023. The decrease is due to the normal amortization of operating leases (occupancy sub-lease and MPF/Printer lease).
- **Note Payable to AgriBank** increased \$1,597 thousand from \$11,030 thousand on December 31, 2022, to \$12,627 thousand on March 31, 2023. The increase is due to funding expenses related to the PLANT project.
- **Other Liabilities** decreased \$(3,832) thousand from \$4,471 thousand on December 31, 2022, to \$639 thousand on March 31, 2023. The decrease is primarily due to the payment of \$2,233 thousand in year-end expense accruals.
- **Total Shareholder's Equity** increased \$2,635 thousand from \$22,527 thousand on December 31, 2022, to \$25,162 thousand on March 31, 2023. The increase is due to the recognition of \$2,659 thousand of net income YTD in March 2023. This is temporary and we expect a net income of zero by December 2023.

Statement of Cash Flows - December 31, 2022 through March 31, 2023

SunStream Business Services	
Cash Flow Statement	
(dollars in thousands)	
	2023
	YTD March
Cash flows from operating activities	
Net Income	\$ 2,634
Depreciation of Fixed Assets	667
Amortization on Intangible Assets	1,609
Decrease in Other Assets	(112)
Decrease in Right of Use Assets	200
Decrease in Lease Liabilities	(195)
Decrease in Prepaid Assets	650
Decrease in Other Liabilities	(4,952)
Net Cash Provided by Operating Activities	\$ 501
Cash flows from investing activities	
Capitalized software development costs	\$ (5,644)
Purchases of fixed assets	(219)
Net Cash used for Investing Activities	\$ (5,863)
Cash flows from financing activities	
Increase in Line of Credit	\$ 1,597
Net Cash provided by Financing Activities	\$ 1,597
Net change in cash	\$ (3,765)
Cash at beginning of Period	7,109
Cash at end of Period	\$ 3,344

SunStream's cash decreased by \$(3,765) thousand from \$7,109 thousand on December 31, 2022, to \$3,344 thousand on March 31, 2023. The decrease in cash is due to (\$5,863) thousand spent on investment activities, partially offset by \$1,597 provided by financing activities and \$501 of cash generated by operating activities.

- **Net income** provided \$2,634 thousand of cash from December 31, 2022, to March 31, 2023.
- **Depreciation and amortization** are adjustments to net income of \$667 thousand and \$1,609 thousand, respectively that result in an increase in cash.

- **Capitalized Development Costs** were a net use of \$(5,644) thousand in cash due to the capitalization of labor expense related to PLANT and EPM projects.
- **Other liabilities** were the use of \$(4,952) in cash and are primarily due to the payout of annual incentives as mentioned above.
- **Prepaid assets** were a source of \$650 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 \$1,597 thousand of cash to fund activity related to PLANT project as noted above.