

PatientMatters, LLC

**Financial Statements
For the Year Ended March 31, 2024
Together With
Independent Auditor's Report**

PATIENTMATTERS, LLC

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INDEPENDENT AUDITOR'S REPORT

To the Members of
PatientMatters, LLC
Amherst, New York

Adverse Opinion

We have audited the accompanying financial statements of PatientMatters, LLC (the "Company") which comprise the balance sheet as of March 31, 2024, and the related statements of income and expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, because of the significance of the election to exclude their investment in and the balances, activity and results of operations of the Company's subsidiaries discussed in the Basis for Adverse Opinion section of our report, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of PatientMatters, LLC as of March 31, 2024, or the results of its operations or its cash flows for the year then ended.

Basis for Adverse Opinion

The Company has elected to exclude their investment in and the balances, activity and results of operations of its subsidiaries from the accompanying financial statements. Under accounting principles generally accepted in the United States of America, the subsidiaries should have been consolidated because they are controlled by the Company. Had the subsidiaries been consolidated, many of the elements of the accompanying financial statements would have been materially affected.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 PatientMatters, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse 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 PatientMatters, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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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 generally accepted auditing standards 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 generally accepted auditing standards, 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 PatientMatters, LLC'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 PatientMatters, LLC'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.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is 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 taken as a whole.

Allied CPAs, P.C.

Rochester, New York
June 27, 2024

PATIENTMATTERS, LLC
BALANCE SHEET
AS OF MARCH 31, 2024

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 531,398
Accounts receivable	303,349
Unbilled revenues	117,017
Prepaid expenses	51,637
Other current assests	110,108
Deferred tax asset	4,672,874

TOTAL CURRENT ASSETS 5,786,383

Equipment and intangibles, net	352,026
Right of use asset - operating, net	29,437

TOTAL ASSETS \$ 6,167,846

LIABILITIES AND MEMBERS' DEFICIT

CURRENT LIABILITIES

Accounts payable	\$ 91,244
Accrued expenses	36,660
Due to related parties, net	55,066,652
Current portion of lease liability - operating	31,097

TOTAL LIABILITIES 55,225,653

MEMBERS' DEFICIT

Members' deficit	<u>(49,057,807)</u>
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TOTAL LIABILITIES AND MEMBERS' EQUITY \$ 6,167,846

The accompanying notes are an integral
part of these financial statements.

PATIENTMATTERS, LLC
STATEMENT OF INCOME AND EXPENSES
FOR THE YEAR ENDED MARCH 31, 2024

INCOME

Service revenue	\$ 2,190,704
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EXPENSES

Staff costs	1,904,922
Depreciation and amortization expense	724,020
Other operating expenses	1,250,214
TOTAL EXPENSES	3,879,156

NET LOSS FROM OPERATIONS	(1,688,452)
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OTHER INCOME (EXPENSE)

Interest expense	(24,213)
Provision for income taxes	263,592
TOTAL OTHER INCOME (EXPENSE)	239,379

NET LOSS	(1,449,073)
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Members' deficit - beginning of year	(47,608,734)
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MEMBERS' DEFICIT - END OF YEAR	<u>\$ (49,057,807)</u>
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The accompanying notes are an integral
part of these financial statements.

PATIENTMATTERS, LLC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Net loss	\$ (1,449,073)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation and amortization	724,020
Deferred taxes	(442,339)
Loss on disposal of fixed assets	2,346
Changes in assets and liabilities:	
Accounts receivable	9,975
Unbilled revenue	(117,017)
Prepaid expenses	5,435
Other current assets	(2,483)
Accounts payable	88,067
Accrued expenses	
Due to related parties, net	1,344,494
Other current liabilities	18,310
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>181,735</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Reduction in lease liability	(183,014)
NET CASH USED IN FINANCING ACTIVITIES	<u>(183,014)</u>

Change in cash and cash equivalents (1,279)

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR 532,677

CASH AND CASH EQUIVALENTS - END OF YEAR **\$ 531,398**

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid for interest	<u><u>\$ 24,213</u></u>
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The accompanying notes are an integral
part of these financial statements.

PATIENTMATTERS, LLC
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

Note 1 - Organization

Organization

PatientMatters, LLC (the Company), a limited liability company, was organized under the laws of the State of Delaware in April 1988. The Company is a leading revenue cycle management solutions provider with focus on US Healthcare Providers and provides Patient Advocacy services and Front-end RCM and SaaS platform to address the Patient Responsibility and Self-pay segment. The Company has a strong presence in Texas, Arkansas, Montana and New York.

The Company is a wholly owned subsidiary of Firstsource Solutions USA, LLC (a State of Delaware corporation), which is a wholly owned subsidiary of MedAssist Holding, LLC (a State of Kentucky corporation), which is a wholly owned subsidiary of Firstsource Group USA, Inc. (a State of Delaware corporation), which is a wholly owned subsidiary of Firstsource Solutions Limited (a Nation of India corporation).

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Company have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of presentation

The accompanying financial statements reflect the assets, liabilities, revenues, and expenses of the Company and does not include the assets, liabilities, revenues and expenses of its subsidiaries Medical Advocacy Services for Healthcare, Inc. or Kramer Technologies, LLC.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investment instruments with an original maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. All such financial instruments involve risk by their nature including the credit risk of non-performance by counter parties. In management's opinion, there was no significant risk of loss in the event of non-performance to these financial instruments, other than amounts already provided for in the consolidated financial statements. The Company's cash accounts are concentrated in a few financial institutions. Although the cash accounts at March 31, 2024 exceed the federally insured deposit limit, management does not anticipate nonperformance by the financial institution. Exposure to credit risk is managed through credit approvals, establishing credit limits, and monitoring procedures.

Accounts Receivable

Accounts receivable are stated at their net carrying value, the amount expected to be collected, based on the original cost less the accumulated lifetime estimated net credit loss allowance. Management provides for probable uncollectible amounts through a provision for the lifetime estimated credit losses at the inception of each financial asset using the current expected credit loss model and recognizes any expected increases or decreases of expected credit losses that have taken place during the period. There was no activity for estimated credit loss allowance during for the year ended March 31, 2024.

Property and Equipment

Fixed assets are stated at cost, net of accumulated depreciation. Assets under capital leases are stated at the present value of minimum lease payments. Leasehold improvements are depreciated on a straight-line basis over the shorter of the estimated useful life of the asset and the term of the lease. Depreciation of other equipment is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Computer equipment	2-4 years
Computer software	2-4 years

PATIENTMATTERS, LLC
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Revenue from operations comprises services rendered either in the form of healthcare transaction processing services, healthcare revenue cycle management, and is billed in accordance with the contractual terms specified in the respective customer contracts. Revenue from fixed fee based service contracts is recognized based on achievement of performance milestones specified in the customer contracts.

In accordance with ASU 2014-09, Revenue from Contracts with Customers (Topic 606), the Company recognizes their revenue from contracts using the following five-step process: 1) Identify the contract(s) with a customer, 2) Identify the performance obligations in the contract, 3) Determine the transaction price, 4) Allocate the transaction price to the performance obligations in the contract, and 5) Recognize revenue as the Company satisfies a performance obligation.

Unbilled revenue represents work executed in accordance with the terms of the agreement with customers but not billed as of the balance sheet date.

Transaction Price

The nature of the Company's contracts gives rise to several types of variable consideration. The Company includes in the contract estimates additional revenue for claims against the customer when the Company believes it has an enforceable right to the claim, the amount can be estimated reliably, and its realization is probable. In evaluating these criteria, the Company considers the contractual/legal basis for the claim, the cause of any additional costs incurred, the reasonableness of those costs and the objective evidence available to support the claim. These estimates are based on historical experience, anticipated performance and the Company's best judgement at the time.

Combined Contract

The Company evaluates whether two or more contracts should be combined and accounted for as a single contract and whether the combined or single contract should be accounted for as more than one performance obligation. This evaluation requires significant judgement and the decision to combine a group of contracts or separate the combined or single contract into multiple performance obligations could change the amount of revenue and profit recorded in a given period.

Contract Modifications

Contract modifications are routine in the performance of the Company's contracts. Contracts are often modified to account for changes in the contract specifications or requirements. In most instances, contract modifications are for services that are not distinct, and therefore, are accounted for as part of the existing contract.

Contract Estimates

It is reasonably possible that changes in estimates may occur in the near term and those revisions and cost and revenue estimates are reflected in the period in which the facts that require the revisions become known.

Leases

The Company recognizes all long-term leases on their balance sheet as a lease liability at the present value of future lease obligations at the commencement of the lease with a corresponding right-of-use asset, that is amortized over the life of the lease.

Income Taxes

Current income taxes are provided for in accordance with the applicable laws in various tax jurisdictions in which the Company operates. Income tax expense consists of the current tax provision and the net change in the deferred tax asset or liability for the year. Deferred income taxes are determined under the asset and liability method. Deferred tax assets and liabilities are recognized for future tax consequences of temporary differences between the carrying amounts of assets and liabilities, and their respective tax bases and operating loss and business loss carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of changes in tax rates is recognized in the results of operations in the period of enactment of the change. The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance if it is more likely than not that some portion or all of the assets will not be realized.

PATIENTMATTERS, LLC
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

Note 2 - Summary of Significant Accounting Policies (Continued)

Marketing and Support Expense

The Company expenses all advertising and marketing costs when incurred. Marketing expense was \$19,223 for the year ended March 31, 2024.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Adoption of New Accounting Standard

In June 2016, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2016-13 *Financial Instruments – Credit Losses*, which requires management to measure credit losses for newly recognized financial assets, as well as the expected increases or decreases of expected credit losses that have taken place during the period and present them at cost less the accumulated valuation allowance. ASU No. 2016-13 is effective for fiscal years beginning after December 15, 2022. Management has adopted ASU No. 2016-13 during the year ended March 31, 2024 with modified retrospective application applied to all periods presented within these financial statements.

Subsequent Events

The Company has evaluated events and transactions after March 31, 2024, and through June 27, 2024, which is the date the financial statements were available to be issued.

Note 3 - Related Party Transactions

As of March 31, 2024, accounts receivable (payable) related parties consist of the following:

Firstsource Group USA, Inc.	\$ 10,306,378
Sourcepoint Inc	(7,775)
Firstsource Advantage, LLC	(2,928)
Firstsource Solutions Limited	(5,326)
MedAssist Holding, LLC	(18,387,164)
Kramer Technologies, LLC	(16,813,058)
Medical Advocacy Services for Healthcare, Inc.	(30,156,779)
NET DUE TO RELATED PARTIES	<u>\$ (55,066,652)</u>

Note 4 – Property and Equipment

Property and equipment at March 31, 2024 are summarized as follows:

Software	\$ 79,053
Computers	63,037
Customer contracts	1,252,157
Software	<u>854,230</u>
Total property and equipment	2,248,477
Less: accumulated depreciation and amortization	<u>(1,896,451)</u>
Total property and equipment, net	<u><u>\$ 352,026</u></u>

PATIENTMATTERS, LLC
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

Note 5 - Corporate Costs

The accompanying financial statements include costs allocated from the corporate parent, which includes salaries for chief executive officer and chief financial officer, related fringe benefits, travel, insurance and other costs. For the year ended March 31, 2024, corporate costs totaling \$29,172 are included in the accompanying financial statements.

Note 6 - Pension Plan

The Company maintains a defined contribution 401(k) plan, covering all full-time employees with one year of service and age twenty-one or older. The Company's contribution is based on matching 25% of the first 6% of salary deferral elected by each eligible employee. The Company's contributions for the year ended March 31, 2024 were \$12,038.

Note 7- Lease Commitments

The Company occupies office space, located in Fort Worth, Texas, under non-cancelable operating leases, which expire May 2024. The lease includes an options to renew. Rent expense incurred under these agreements for the year ended March 31, 2024 amounted to \$186,852.

The undiscounted minimum cash flows under these agreements are as follows:

Year ended March 31,	
2025 and thereafter	\$ 31,142
Total lease payments	31,142
Less: Imputed interest	(45)
Total lease liability	\$ 31,097

The following constitutes the cumulative quantitative information for all lease agreements of the Corporation for the year ended March 31, 2024:

<u>Lease costs</u>	
Operating lease cost	\$ 186,852
Total lease costs	\$ 186,852

Other information:

Right to use asset recorded in conjunction with:

Operating leases	\$ 29,437
Total	\$ 29,437

Weighted average remaining lease term

Operating leases	0.17 years
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Weighted average discount rate

Operating leases	3.33%
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SUPPLEMENTARY INFORMATION

PATIENTMATTERS, LLC
SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED MARCH 31, 2024

Computer expenses	\$	195,146
Charges		34,748
Corporate costs		29,172
Communication		541,201
Loss on disposal of fixed assets		2,346
Insurance		82,426
Legal and professional fees		48,541
Marketing		21,831
Meals and entertainment		26,078
Miscellaneous		2,783
Printing		2,858
Rents, rates and taxes		4,094
Recruiting		595
Repairs and Maintenance		78,891
Travel and conveyance		113,767
Utilities		65,737
TOTAL OPERATING EXPENSES	\$	<u>1,250,214</u>

See independent auditor's report.