

Firstsource Advantage, LLC

**Financial Statements
With Supplementary Information
For the Year Ended March 31, 2025
Together With
Independent Auditor's Report**

FIRSTSOURCE ADVANTAGE, LLC

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements:	
Balance Sheet	3
Statement of Income	4
Statement of Changes in Members' Equity	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 10
Supplementary Information:	
Schedule of Operating Expenses	11

* * * * *



INDEPENDENT AUDITOR'S REPORT

To the Members of
Firstsource Advantage, LLC
Amherst, New York

Opinion

We have audited the accompanying financial statements of Firstsource Advantage, LLC (a limited liability company and wholly-owned subsidiary of Firstsource Solutions Limited), which comprise the balance sheet as of March 31, 2025, and the related statement of income, statement of members' equity, and statement of cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Firstsource Advantage, LLC as of March 31, 2025, 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.

Basis for Opinion

We conducted our audits 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 Firstsource Advantage, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 Firstsource Advantage, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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.

BUFFALO
501 John James Audubon
Suite 390
Amherst, NY 14228
P: (716) 694-0336

COOPERSTOWN
55-57 Grove Street
Cooperstown, NY 13326
P: (607) 282-4161

ONEONTA
189 Main Street, Suite 302
Oneonta, NY 13820
P: (607) 432-3462

PERRY
199 S. Main Street, PO Box 1
Perry, NY 14530
P: (585) 237-3887

ROCHESTER
90 Linden Oaks, Suite 100
Rochester, NY 14625
P: (585) 410-6733

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 Firstsource Advantage, 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 Firstsource Advantage, 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.

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.

Amherst, New York
June 26, 2025

FIRSTSOURCE ADVANTAGE, LLC
BALANCE SHEET
AS OF MARCH 31, 2025

ASSETS

Current assets:

Cash - operating accounts	\$ 1,154,371
Cash - trust accounts	2,387,108
Accounts receivable, net	6,891,564
Unbilled revenues	3,942,464
Due from related parties	8,698,236
Prepaid expenses	1,426,151
Other current assets	<u>372,711</u>
Total current assets	<u>24,872,605</u>

Equipment and leasehold improvements, net of accumulated depreciation of \$2,535,972	1,226,414
---	-----------

Right to use asset, net of accumulated amortization of \$3,889,632	<u>3,087,331</u>
---	------------------

TOTAL ASSETS \$ 29,186,350

LIABILITIES AND MEMBERS' EQUITY

Current liabilities:

Accounts payable	\$ 811,309
Accrued expenses	3,652,537
Payable to client	745,445
Current portion of lease liability	<u>828,273</u>
Total current liabilities	6,037,564

Long-term liabilities:

Long-term lease liability net of current maturities	<u>3,427,330</u>
Total liabilities	<u>9,464,894</u>

Members' equity	<u>19,721,456</u>
-----------------	-------------------

TOTAL LIABILITIES AND MEMBERS' EQUITY \$ 29,186,350

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

FIRSTSOURCE ADVANTAGE, LLC
STATEMENT OF INCOME
FOR THE YEAR ENDED MARCH 31, 2025

<u>SERVICE REVENUE</u>	\$ 68,266,203
-------------------------------	----------------------

EXPENSES

Staff costs	39,066,540
Depreciation expense	1,155,611
Consultancy charges	10,610,959
Other operating expenses	<u>13,238,496</u>

TOTAL EXPENSES	<u>64,071,606</u>
-----------------------	--------------------------

NET INCOME FROM OPERATIONS	4,194,597
-----------------------------------	------------------

OTHER INCOME (EXPENSE)

Other income, net	6,557
Interest expense	<u>(211,982)</u>

NET INCOME \$	<u>3,989,172</u>
----------------------	-------------------------

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

FIRSTSOURCE ADVANTAGE, LLC
STATEMENT OF CHANGES IN MEMBERS' EQUITY
FOR THE YEAR ENDED MARCH 31, 2025

	<u>Members'</u> <u>Equity</u>
BALANCE - March 31, 2024	\$ 15,732,284
Net income	<u>3,989,172</u>
BALANCE - March 31, 2025	<u>\$ 19,721,456</u>

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

FIRSTSOURCE ADVANTAGE, LLC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2025

CASH FLOWS FROM OPERATING ACTIVITIES:

Net income	\$ 3,989,172
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	1,155,611
Change in assets and liabilities:	
Accounts receivable	(646,443)
Due from related parties	(4,616,428)
Unbilled revenues	(402,023)
Prepaid expenses	(349,800)
Other current assets	75,102
Accounts payable	262,395
Payable to client	664,529
Accrued expenses	884,676
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,016,791</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of equipment	<u>(634,675)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(634,675)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Reduction of lease liability	<u>(774,952)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(774,952)</u>

NET CHANGE IN CASH (392,836)

CASH AT BEGINNING OF YEAR 3,934,315

CASH AT END OF YEAR \$ 3,541,479

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid for interest	<u><u>\$ 211,982</u></u>
------------------------	--------------------------

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

FIRSTSOURCE ADVANTAGE, LLC
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

Note 1 - Organization and Summary of Significant Accounting Policies

Organization

Firstsource Advantage, LLC (the Company), a limited liability company, was organized under the laws of New York State in April 1995, for the purpose of providing debt collection services to major credit card issuers and banks throughout the United States. Credit is granted to primarily all of its customers.

On September 22, 2004, 100% of the membership units were sold to First Ring Inc. a subsidiary of Firstsource Solutions Limited, which has its corporate offices located in Mumbai, India.

The Company's duration is perpetual under the operating agreement as amended in August 2015.

On September 30, 2011, Firstsource Financial Solutions, LLC, a company affiliated through common ownership and engaged in similar line of business, merged with the Company. All assets were transferred to the Company and are included in the accompanying financial statements.

Basis of Presentation

The accompanying financial statements reflect the assets, liabilities, revenues and expenses of Firstsource Advantage, LLC, its offshore collections office Firstsource India and Firstsource Financial Solutions, LLC. The financial statements do not reflect the assets, liabilities, revenues and expenses of the parent company, Firstsource Solutions Limited.

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, 2025 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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable are stated at their net carrying value, the net amount expected to be collected, based on the original cost less the accumulated lifetime estimated net credit loss allowance. The Company measures 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. For the year ended March 31, 2025, the Company recorded an estimated credit loss allowance of \$1,909,180. They also had a provision for credit losses of \$34,981 as of March 31, 2025.

FIRSTSOURCE ADVANTAGE, LLC
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

Note 1 - Summary of Significant Accounting Policies (Cont.)

Fixed Assets

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:

Furniture and fixtures	2-5 years
Computer equipment	2-5 years
Computer software	2-4 years
Leasehold improvements	5 years

Revenue Recognition

Revenue from operations comprises debt collection services to major credit card issuers and banks and is billed in accordance with the contractual term specified in the respective customer contracts. Revenue from fixed fee based service contracts is recognized upon 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.

Marketing and Support Expenses

The Company expenses all advertising costs when incurred and these are included as part of operating expenses. Marketing and support expenses were \$83,374 for the year ended March 31, 2025.

Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, which requires lessees to recognize long-term leases on their balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. Management has adopted the provisions ASU 2016-02 for the year ended March 31, 2025.

Contingent Liabilities

Liabilities for loss contingencies arising from claims, tax assessments, litigations, fines and penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. Legal costs incurred in connection with the same are expensed as incurred. No contingent liabilities have been recorded as of March 31, 2025.

Income Taxes

The Company has elected to be treated as a limited liability company for income tax purposes. Accordingly, federal and state tax regulations provide that, in lieu of corporate income taxes, the members account for the Company's items of income, deductions, losses and credit.

Subsequent Events

The Company has evaluated events and transactions for potential recognition in the financial statements through June 26, 2025, which is the date the financial statements were available to be issued.

FIRSTSOURCE ADVANTAGE, LLC
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

Note 2 - Restricted Cash

Client trust accounts are restricted cash that is used for client activities. The restricted balance at March 31, 2025 was \$2,387,108.

Note 3 - Related Party Transactions, Net

Amount due from (due to) related parties at March 31, 2025 are summarized as follows:

Firstsource Group USA Inc.	\$ 3,990,565
MedAssist Holding, LLC	8,862,368
Sourcepoint, Inc.	221,060
One Advantage LLC	5,028
PatientMatters, LLC	119
The Stonehill Group, Inc.	1,666
Firstsource Solutions UK Limited	(4,224)
Firstsource Health Plans and Healthcare Services, LLC	550,452
American Recovery Services, Inc.	34,872
Firstsource Solutions México, S. de R.L. de C.V.	(105,848)
Firstsource Solutions Limited - India	(4,860,547)
Firstsource Business Process Services, LLC	5,000
SourcePoint Fulfillment Services, Inc.	(2,275)
NET DUE FROM RELATED PARTIES	<u>\$ 8,698,236</u>

Note 4 - Equipment and Leasehold Improvements

Equipment and leasehold improvements at March 31, 2025 are summarized as follows:

Leasehold improvements	\$ 432,920
Furniture and fixtures	198,519
Capital work-in-process	173,390
Computer equipment	1,574,829
Software	<u>1,382,727</u>
Total equipment and leasehold improvements	<u>3,762,385</u>
Less: accumulated depreciation	<u>(2,535,971)</u>
Equipment and leasehold improvements, net	<u>\$ 1,226,414</u>

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, 2025, corporate costs totaling \$979,878 are included in the accompanying financial statements.

FIRSTSOURCE ADVANTAGE, LLC
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

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, 2025 were \$208,583.

Note 7 – Lease Commitments

In June 2013, the Company entered into a lease for office space located in Amherst, New York that expires May 31, 2031. During the term of the lease, the Company is required to make monthly rental payments that average out to be \$47,922 over the term of the lease. The discount rate for this lease agreement was determined to be 5.00%.

In August 2020, the Company entered into a lease agreement for office space located in Colorado Springs, Colorado that expires July 31, 2027. During the term of the lease, The Company is required to make monthly rental payments that average out to be \$31,843 over the life of the lease. The discount rate for this lease was determined to be 3.06%.

Total rent expense for the year ended March 31, 2025 totaled \$986,934.

The undiscounted minimum future cash outflows under all leases are as follows:

Year ended March 31,	
2026	\$ 1,006,289
2027	1,025,776
2028	762,342
2029	633,494
Thereafter	<u>1,403,922</u>
Total lease payments	4,831,823
Less: imputed interest	<u>(576,220)</u>
Total	<u>\$ 4,255,603</u>

The following constitutes the cumulative quantitative information for all lease agreements of the Corporation for the year ended March 31, 2025:

<u>Lease costs</u>	
Operating lease cost	\$ 986,934
Total lease costs	<u>\$ 986,934</u>

<u>Other information:</u>	
Right to use asset recorded in conjunction with:	
Operating leases	\$ 3,799,375
Total	<u>\$ 3,799,375</u>

Weighted average remaining lease term	
Operating leases	5.3 years
Weighted average discount rate	
Operating leases	4.17%

SUPPLEMENTARY INFORMATION

FIRSTSOURCE ADVANTAGE, LLC
SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED MARCH 31, 2025

Advertising and promotions	\$	83,374
Provision for credit losses		34,981
Computer expenses		1,134,589
Care and other hire charges		175,554
Communication and postage		5,023,461
Corporate costs		979,878
Exchange rate fluctuations		21,343
Information services		405,860
Insurance		122,305
Legal and professional fees		808,260
Rent		453,449
Other taxes and fees		167,177
Printing and stationary		396,455
Recruiting		152,911
Repairs and maintenance		568,605
Payment processing charges		2,204,473
Utilities		245,464
Travel		260,357
TOTAL OPERATING EXPENSES	\$	<u>13,238,496</u>

See independent auditor's report.