Firstsource Advantage, LLC

Financial Statements
With Supplementary Information
For the Year Ended March 31, 2023
Together With
Independent Auditor's Report

FIRSTSOURCE ADVANTAGE, LLC

Table of Contents

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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, 2023, 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, 2023, 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.

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.

Allied CPAs, P.C.

Amherst, New York
June 16, 2023

FIRSTSOURCE ADVANTAGE, LLC
BALANCE SHEET
AS OF MARCH 31, 2023

ASSETS		
Current assets:		
Cash - operating accounts	$	812,081
Cash - trust accounts		825,194
Accounts receivable		12,285,277
Due from related parties		4,656,854
Prepaid expenses		1,110,749
Total current assets		19,690,155
Equipment and leasehold improvements, net of accumulated depreciation of $1,652,329		653,219
Right to use asset, net of accumulated amortization of $2,465,543		4,511,420
TOTAL ASSETS	**$**	**24,854,794**
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities:		
Accounts payable	$	581,217
Accrued expenses		2,789,870
Current portion of lease liability		723,990
Total current liabilities		4,095,077
Long-term liabilities:		
Long-term lease liability net of current maturities		5,030,555
Total liabilities		9,125,632
Members' equity		15,729,162
TOTAL LIABILITIES AND MEMBERS' EQUITY	**$**	**24,854,794**

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

FIRSTSOURCE ADVANTAGE, LLC
STATEMENT OF INCOME
FOR THE YEAR ENDED MARCH 31, 2023

SERVICE REVENUE	$ 69,142,770
EXPENSES	
Staff costs	35,465,130
Depreciation expense	1,213,517
Other operating expenses	25,021,766
TOTAL EXPENSES	61,700,413
NET INCOME FROM OPERATIONS	7,442,357
OTHER INCOME (EXPENSE)	
Interest expense	(273,327)
NET INCOME	**$ 7,169,030**

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, 2023

		Members' Equity
BALANCE - March 31, 2022	$	29,560,132
Dividend paid		(21,000,000)
Net income		7,169,030
BALANCE - March 31, 2023	**$**	**15,729,162**

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

FIRSTSOURCE ADVANTAGE, LLC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$	7,169,030
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation		1,213,517
Change in assets and liabilities:		
Accounts receivable		(1,217,495)
Due from related parties		(6,598,617)
Prepaid expenses		(292,661)
Accounts payable		(403,473)
Accrued expenses		485,364
NET CASH PROVIDED BY OPERATING ACTIVITIES		355,665
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment		(192,872)
NET CASH USED IN INVESTING ACTIVITIES		(192,872)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Reduction of lease liability		(675,280)
NET CASH USED IN FINANCING ACTIVITIES		(675,280)
NET CHANGE IN CASH		(512,487)
CASH AT BEGINNING OF YEAR		2,149,762
CASH AT END OF YEAR	**$**	**1,637,275**
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	$	273,327

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

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, 2023 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 the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debts expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Bad debt expense was $323,299 for the year ended March 31, 2023.

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 $114,950 for the year ended March 31, 2023.

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, 2023.

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, 2023.

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 16, 2023, which is the date the financial statements were available to be issued, as required by US GAAP.

Note 2 - Restricted Cash

Client trust accounts are restricted cash that is used for client activities. The restricted balance at March 31, 2023 was $825,192.

Note 3 - Related Party Transactions, Net

Amount due from (due to) related parties at March 31, 2023 are summarized as follows:

Firstsource Group USA Inc.	$	22,257,226
MedAssist Holding, LLC		8,831,571
Sourcepoint, Inc.		6,290
One Advantage LLC		5,701
PatientMatters, LLC		1,609
The Stonehill Group, Inc.		570
Firstsource Solutions UK Limited		(2,084)
Firstsource Health Plans and Healthcare Services, LLC		(7,964)
American Recovery Service Inc.		(41,235)
Firstsource Solutions México, S. de R.L. de C.V.		(263,441)
Firstsource Solutions Limited - India		(5,131,389)
Firstsource Business Process Services, LLC		(21,000,000)
NET DUE FROM RELATED PARTIES	**$**	**4,656,854**

Note 4 - Equipment and Leasehold Improvements

Equipment and leasehold improvements at March 31, 2023 are summarized as follows:

Leasehold improvements	$	284,970
Furniture and fixtures		158,263
Computer equipment		962,932
Software		899,385
Total equipment and leasehold improvements		2,305,550
Less: accumulated depreciation		(1,652,331)
Equipment and leasehold improvements, net	**$**	**653,219**

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, 2023, corporate costs totaling $888,180 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, 2023 were $210,089.

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, 2023 totaled $480,032.

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

Year ended March 31,	
2024	$ 967,707
2025	986,934
2026	1,006,289
2027	1,025,776
Thereafter	2,799,756
Total lease payments	6,786,463
Less: imputed interest	(1,031,918)
Total	**$ 5,754,545**

The following constitutes the cumulative quantitative information for all lease agreements of the Corporation for the year ended March 31, 2023:

Lease costs	
Operating lease cost	$ 948,608
Total lease costs	**$ 948,608**
Other information:	
Right to use asset recorded in conjunction with:	
Operating leases	6,976,963
Total	**$ 6,976,963**
Weighted average remaining lease term	
Operating leases	7.3 years
Weighted average discount rate	
Operating leases	4.17%

SUPPLEMENTARY INFORMATION

FIRSTSOURCE ADVANTAGE, LLC
SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED MARCH 31, 2023

Advertising and promotions	$	114,950
Bad debt expense		323,299
Computer expenses		913,592
Care and other hire charges		137,770
Connectivity charges		894,276
Corporate costs		888,180
Cost of sales		13,356,632
Exchange rate fluctuations		8,506
Gain/loss		165,124
Information services		232,164
Insurance		153,204
Legal and professional fees		491,043
Meals and entertainment		3,489
Rent		480,032
Other taxes and fees		134,511
Printing and stationary		65,915
Postage and delivery		3,468,914
Recruiting		85,052
Repairs and maintenance		466,220
Service charges		2,207,968
Utilities		224,416
Travel		206,509
TOTAL OPERATING EXPENSES	**$**	**25,021,766**

See independent auditor's report.