

Firstsource Health Plans and Healthcare Services, LLC

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

FIRSTSOURCE HEALTH PLANS AND HEALTHCARE SERVICES, LLC

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements:	
Balance Sheet	3
Statement of Income and Changes in Members' Equity	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 9
Supplementary Information:	
Schedule of Operating Expenses	10



INDEPENDENT AUDITOR'S REPORT

To the Members of
Firstsource Health Plans and Healthcare Services, LLC
Amherst, New York

Opinion

We have audited the accompanying financial statements of Firstsource Health Plans and Healthcare Services, LLC (a corporation), which comprise the balance sheet as of March 31, 2023, and the related statements of income and changes in members' equity, and 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 Health Plans and Healthcare Services, 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 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 Firstsource Health Plans and Healthcare Services, 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 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 Health Plans and Healthcare Services, 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.

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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 Health Plans and Healthcare Services, 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 Health Plans and Healthcare Services, 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 16, 2023

FIRSTSOURCE HEALTH PLANS AND HEALTHCARE SERVICES, LLC
BALANCE SHEET
AS OF MARCH 31, 2023

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 87,401
Accounts receivable, net of allowance for doubtful accounts of \$46,346	14,205,272
Unbilled revenues	8,901,202
Prepaid expenses	1,759,714
Other current assets	354,032

TOTAL CURRENT ASSETS 25,307,621

Property and equipment, net	2,431,774
Right of use asset, net	12,417,205
Intangible assets, net	551,840

TOTAL ASSETS \$ 40,708,440

LIABILITIES AND MEMBERS' EQUITY

CURRENT LIABILITIES

Accounts payable	\$ 1,266,578
Accrued expenses	6,951,152
Current portion of lease liability	2,409,495
Due to related parties, net	7,712,179
Other current liabilities	35,156

TOTAL CURRENT LIABILITIES 18,374,560

LONG-TERM LIABILITIES

Lease liability, net of current portion	11,434,659
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TOTAL LIABILITIES 29,809,219

MEMBERS' EQUITY

Members' equity	10,899,221
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TOTAL LIABILITIES AND MEMBERS' EQUITY \$ 40,708,440

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

FIRSTSOURCE HEALTH PLANS AND HEALTHCARE SERVICES, LLC
STATEMENT OF INCOME AND CHANGES IN MEMBERS' EQUITY
FOR THE YEAR ENDED MARCH 31, 2023

REVENUE

Net revenue from services	\$ 134,112,970
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EXPENSES:

Staff costs	80,778,496
Depreciation and amortization	3,645,918
Consultancy charges	30,237,440
Other costs	15,687,788

TOTAL EXPENSES	130,349,642
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NET INCOME FROM OPERATIONS	3,763,328
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OTHER INCOME (EXPENSE)

Interest expense	(552,734)
Foreign exchnage loss, net	(2,689)

TOTAL OTHER INCOME (EXPENSE)	(555,423)
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NET INCOME	3,207,905
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Members' equity - beginning of year	7,691,316
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MEMBERS' EQUITY - END OF YEAR	\$ 10,899,221
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The accompanying notes are an integral
part of these financial statements.

FIRSTSOURCE HEALTH PLANS AND HEALTHCARE SERVICES, LLC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Net income	\$ 3,207,905
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	3,645,918
Gain on sale of assets	11,275
Changes in assets and liabilities:	
Accounts receivable	(2,592,366)
Unbilled revenue	(4,672,721)
Prepaid expenses	2,243,750
Other current assets	(52,150)
Accounts payable	(1,622,053)
Accrued expenses	1,839,220
Due to related parties, net	1,642,089
Other current liabilities	(152,211)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>3,498,656</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	<u>(1,163,307)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(1,163,307)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Reduction in lease liability	<u>(2,331,414)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(2,331,414)</u>

Change in cash and cash equivalents 3,935

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR 83,466

CASH AND CASH EQUIVALENTS - END OF YEAR **\$ 87,401**

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid for interest	<u><u>\$ 552,734</u></u>
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The accompanying notes are an integral
part of these financial statements.

FIRSTSOURCE HEALTH PLANS AND HEALTHCARE SERVICES, LLC
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023

Note 1 - Organization

Organization

Firstsource Health Plans and Healthcare Services, 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.

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.

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.

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 debt 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. The company did not have any amounts written off to bad debts for the year ended March 31, 2023.

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:

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

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.

FIRSTSOURCE HEALTH PLANS AND HEALTHCARE SERVICES, LLC
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Revenue from operations comprises debt collection services to major credit card issuers and banks 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. Revenue from debt collection services is recognized when debts are collected.

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.

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.

FIRSTSOURCE HEALTH PLANS AND HEALTHCARE SERVICES, LLC
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023

Note 2 - Summary of Significant Accounting Policies (Continued)

Advertising and Marketing

The Company expenses all advertising and marketing costs when incurred. Marketing expense was \$200,538 for the year ended March 31, 2023.

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.

Subsequent Events

The Company has evaluated events and transactions after March 31, 2023, and through June 16, 2023, which is the date the financial statements were available to be issued for potential recognition and disclosure in the financial statements.

Note 3 - Related Party Transactions

As of March 31, 2023, accounts receivable (payable) related parties consist of the following:

Sourcepoint Fulfillment Services, Inc	\$ (44,703)
Firstsource Group USA, Inc	29,163,309
Sourcepoint, Inc	(454,026)
Firstsource Solutions México, S. de R.L. de C.V	(477)
Firstsource Advantage LLC	(70,038)
Firstsource Solutions UK Limited	1,502
Firstsource Solutions Limited	(14,388,433)
Medassist Holding LLC	(21,919,313)
NET DUE TO RELATED PARTIES	<u>\$ (7,712,179)</u>

Note 4 – Property and Equipment

Property and equipment at March 31, 2023 are summarized as follows:

Leasehold improvements	\$ 1,090,492
Furniture and fixtures	239,314
Computer equipment	3,287,987
Network	182,538
Total property and equipment	<u>4,800,331</u>
Less: accumulated depreciation	<u>(2,368,557)</u>
Total property and equipment, net	<u><u>\$ 2,431,774</u></u>

Note 5 – Intangible Asset

Intangible assets consist at March 31, 2023 consist of the following:

Computer software	\$ 1,179,993
Total intangible assets	1,179,993
Less: accumulated amortization	(628,153)
Total intangible assets, net	<u><u>\$ 551,840</u></u>

FIRSTSOURCE HEALTH PLANS AND HEALTHCARE SERVICES, LLC
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023

Note 6 - 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 \$1,226,508 are included in the accompanying financial statements.

Note 7 - 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 \$488,381.

Note 8 - Lease Commitments

The Company occupies office facilities, located in Colorado Springs, Colorado, Dallas, Texas, Chattanooga, Tennessee, Salt Lake City, Utah, Rockford, Illinois, and leases equipment from Hewlett Packard under non-cancelable operating leases, which expire at various dates starting March 2024 through April 2030. Each lease includes options to renew the lease. Rent expense incurred under these agreements for the year ended March 31, 2023 amounted to \$2,827,354.

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

Year ended March 31,	
2024	\$ 2,887,820
2025	2,729,992
2026	2,585,612
2027	2,061,108
2028	1,705,941
Thereafter	3,309,886
Total lease payments	15,280,359
Less: Imputed interest	(1,436,205)
Total lease liability	\$ 13,844,154

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

<u>Lease costs</u>	
Operating lease cost	\$ 2,827,354
Total lease costs	\$ 2,827,354

Other information:

Right to use asset recorded in conjunction with:	
Operating leases	12,417,205
Total	\$ 12,417,205

Weighted average remaining lease term	
Operating leases	5.96 years

Weighted average discount rate	
Operating leases	3.36%

SUPPLEMENTARY INFORMATION

FIRSTSOURCE HEALTH PLANS AND HEALTHCARE SERVICES, LLC
SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED MARCH 31, 2023

Bad debt recovery	\$ (78,250)
Bank fees	18,579
Computer expenses	3,161,195
Charges	277,157
Corporate costs	1,226,508
Communication	4,959,623
Dues and subscriptions	12,781
Gain/loss on sale of fixed assets	11,275
Insurance	293,264
Legal and professional fees	1,790,664
Marketing	200,538
Miscellaneous	464,317
Printing	319,620
Rents, rates and taxes	1,655,190
Recruiting	227,189
Repairs and Maintenance	488,898
Travel and conveyance	457,393
Utilities	201,847
TOTAL OPERATING EXPENSES	\$ 15,687,788

See independent auditor's report.