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Accounting, Reporting, and Corporate Governance Update

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Outline

1. Accounting Update
2. New Auditor's Report
3. Pension/ERISA Update
4. Update on LIBOR Rate's Future
5. Accounting for Employee Retention Credits
6. Private Company Accounting Alternatives
7. Brush-up on Recent Standards Updates

1. ACCOUNTING UPDATE

Newly Issued Accounting Standards Updates

ASU 2021-02 – Franchisors—Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient

- Permits franchisors that are not public business entities to account for pre-opening services provided to a franchisee as distinct from the franchise license if the services are consistent with those included in a predefined list within the guidance.
- Includes an accounting policy election to recognize the pre-opening services as a single performance obligation.

ASU 2021-03 – Intangibles—Goodwill and Other (Topic 350): Accounting Alternative for Evaluating Triggering Events

- Allows private companies and not-for-profit organizations to perform a goodwill triggering event assessment, and any resulting test for goodwill impairment, as of the end of the reporting period.
- Eliminates the requirement to perform this assessment during the reporting period, limiting it to the reporting date only.

Newly Issued Accounting Standards Updates

ASU 2021-08 – Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers

- Requires entities to apply Topic 606 to recognize and measure contract assets and contract liabilities in a business combination.
- Improves comparability after the business combination by providing consistent recognition and measurement guidance for revenue contracts with customers acquired in a business combination and revenue contracts with customers not acquired in a business combination.

Leases

ASU 2016-02 – Leases

- Issued on February 25, 2016.
- **Required to be implemented for private companies for years beginning after December 15, 2021 (2022 calendar years)**
- All leases will be capitalized. It is estimated that $2 trillion in liabilities will be added to balance sheets when the standard becomes effective!
- Must be adopted retrospective to the beginning of the earliest year presented in the financial statements.
- The **only exception is for leases of 12 months or less**, these leases can still be expensed.

Lessees

Lease Classification for Lessees

- Two approaches based on the "lease classification test."
  - ✓ Approach A – Financing Type (Current "Capital Lease")
  - ✓ Approach B – Operating Type

The only difference is how you charge the lease asset and payments to operations.

Lesseys

Approach A – Financing Type (Capitalized)

- Separately reflected in P&L.
- Present value the lease liability with interest expense.
- Amortize right of use asset on a straight-line basis.
- Variable lease payments incurred after commencement are operating expense.
- Shorter of the estimated lease term or underlying asset's useful life.
- If significant economic incentive to exercise a purchase option, amortize asset to end of useful life of underlying asset.

Lessees

Approach A – Financing Type (Capitalized)

	Year 1	Year 2	Year 3	Year 4	Total
Interest Expense	$ 28,911	$ 23,773	$ 17,541	$ 9,775	$ 80,000
Amortization Expense	105,000	105,000	105,000	105,000	420,000
Total	$ 133,911	$ 128,773	$ 122,541	$ 114,775	$ 500,000

Lessees

Approach B – Operating Type, Straight-line Approach.

- For all leases **not** meeting the Financing criteria above.
- Depreciate the "right-of-use" asset each period as a balancing figure such that the total lease expense would be recognized on a straight-line basis regardless of timing of lease payments.
- Recognize lease expense **as a single cost in the income statement.**
- Combine effective interest on lease liability with amortization of ROU asset so that the remaining cost of lease is allocated over remaining lease term equally on a straight-line basis.

Lessees

Approach B – Operating Type, Straight-line Approach.

	Year 1	Year 2	Year 3	Year 4	Total
Interest Component	$ 28,911	$ 23,773	$ 17,541	$ 9,775	$ 80,000
Amortization Component	96,089	101,227	107,459	115,225	420,000
Total Lease Expense	$ 125,000	$ 125,000	$ 125,000	$ 125,000	$ 500,000

What have we learned from Public Company Implementation?

- **Start Early**
  - Many have reported that implementation was more challenging and required larger cross-sectional effort than expected.
- **Review Agreements and Lease Inventory**
  - Identification of the population of leases and review of all lease agreements was consistently noted as a challenging aspect of implementation.
- **Accounting Software Selection**
  - Testing of your current accounting system is critical to identify its ability to handle the new reporting requirements. Do you need to invest in new software?
- **Accountant Communication**
  - Communicate early with your auditor or accountant in order to understand their process of auditing or reviewing the leasing activity and financial statement disclosures.

2. New Audit Report

Auditing Updates

SAS 134, Auditor Reporting (AU-C 700)

- Issued May 2019.
- Effective for audits of periods ending after December 15, 2021 (**2021 calendar year**).
- Revises form and content of auditor opinion.
- Opinion comes first.
- Expanded discussion of management & auditor responsibilities.
- Guidance for Key Audit Matters (KAM):
  - Matters that "required significant auditor attention".
  - Auditor must be engaged to report on KAMs.

Independent Auditor's Report

March XX, 2022

To the Board of Directors and Stockholders of
XYZ Corporation

Opinion

We have audited the financial statements of XYZ Corporation, which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of income and retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of XYZ Corporation as of December 31, 2021 and 2020, and the results of their operations and their cash flows for the years 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 (GAAS). 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 XYZ Corporation, 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 XYZ Corporation's ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS 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 GAAS, 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 XYZ Corporation'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 XYZ Corporation'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.

Key Audit Matters *(ONLY INCLUDED IF AUDITOR ENGAGED TO REPORT ON)*

Key audit matters are those matters that were communicated with those charged with governance and, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audits of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

[Insert description of each key audit matter in accordance with AU-C Section 701 that includes a reference to the related disclosures, if any, in the financial statements and addresses why the matter was considered to be one of most significance in the audit and therefore determined to be a key audit matter, and how the matter was addressed in the audit]

3. ERISA/PENSION UPDATE

2021 Pension Update

- 2022 Pension Limits
- Cycle 3 Restatements
- SAS No.136: ERISA Section 103(a)(3)(C) Audits

2021 Pension Limits

	2022	2021	2020
401k Elective Deferrals (Section 402g)	$ 20,500	$ 19,500	$ 19,500
Catch-Up Contribution Limit (Section 414v)	$ 6,500	$ 6,500	$ 6,500
Annual Defined Contribution Limit (Section 415)	$ 61,000	$ 58,000	$ 57,000
Annual Compensation Limit (Sections 401, 404, 408)	$ 305,000	$ 290,000	$ 285,000
FICA Wage Limit	$ 147,000	$ 142,800	$ 137,700
SIMPLE Employee Deferrals	$ 14,000	$ 13,500	$ 13,500
SIMPLE Catch-Up Deferrals	$ 3,000	$ 3,000	$ 3,000

Cycle 3 Restatement

- Every six years, the IRS REQUIRES company-sponsored retirement plans to update their plan document
- The plan document must be re-written to incorporate changes from any mandatory or voluntary amendments
- This is a **MANDATORY RESTATEMENT** for ALL qualified retirement plans that use an IRS-Pre-Approved plan document
- Must be **COMPLETED** by July 31, 2022

Cycle 3 Restatement

- What **WILL** be included in the restatement?
  - 2017 cumulative List
    - Inclusion of Windsor decision – definition of marriage and spouse
    - Mid-year reduction or suspensions of safe harbor contributions
    - Other mid-year safe harbor 401K amendments per IRS Notice 2016-16
    - Use of forfeitures to offset safe harbor contributions
    - Language for rollover from plan account to plan's designed Roth account
    - Certain ESOPs can now be preapproved

Cycle 3 Restatement

- What **WILL NOT** be included in the restatement?
  - CARES Act amendments
  - SECURE Act amendments
  - Hardship Withdrawal amendments (Bipartisan Budget Act of 2018)
- Providers **MUST** maintain “interim amendments” or “snap on amendments” for these changes

Cycle 3 Restatement

- Points to consider during the restatement:
  - Good opportunity to re-evaluate plan provisions.
  - Explore if there are any changes that can make the plan operate more efficiently.
  - Evaluate company objectives, annual test results, etc. to maximize the plan provisions.

New Benefit Plan Audit Opinion - SAS No. 136

- Statement on Auditing Standards No. 136, *Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA*
  - Originally effective for periods ending after 12/15/20, <u>no early adoption permitted</u>
  - **SAS 141 issued in May 2020** delayed adoption until periods ending after 12/15/21, <u>but with early adoption permitted</u>

New Benefit Plan Audit Opinion - SAS No. 136

- Major changes
  - ERISA Section 103(a)(3)(C) Audit
    - Formerly known as "Limited-Scope Audit"
    - **NOT** considered scope limitation any longer
    - Auditor will no longer issue a disclaimer of opinion
  - New report will be two-pronged opinion:
    - Opine on whether information not covered by certification is presented fairly; and
    - Opine on whether the certified investment information in the financial statements agrees to, or is derived from, the certification

New Benefit Plan Audit Opinion - SAS No. 136

- Major changes:
  - Changes form and content of the auditor's report
    - Requires a new ordering of certain report elements
      - **Opinion – required to be placed first**
      - Basis for opinion
      - Going Concern, if applicable
      - Key Audit Matters, if applicable
      - Responsibilities of Management for the Financial Statements
      - Auditor's Responsibilities for the audit of the Financial Statements
      - Other Matter – Supplemental Schedules Required by ERISA

New Benefit Plan Audit Opinion - SAS No. 136

- Major changes
  - Review of Draft Form 5500
    - **Must** read the draft Form 5500 in order to identify material inconsistencies, if any, with the audited plan financial statements
    - Review must be completed prior to dating auditor's report
    - Need to coordinate timing with final audit evidence, i.e. legal representation letter response, if applicable

4. Update on LIBOR Rate's Future

LIBOR Rate's Future?

Is LIBOR really being discontinued?

– Yes, in March 2021 regulators announced that LIBOR will cease to be provided and no longer be representative.

When?

– In March 2021, regulators announced that LIBOR will no longer be provided:

(i) for all sterling, euro, Swiss franc and Japanese yen settings, and the one-week and two-month U.S. dollar settings after **December 31, 2021**; and

(ii) for the remaining U.S. dollar settings after **June 30, 2023**.

How is the financial services industry preparing?

– Federal Reserve ("the Fed") established the Alternative Reference Rate Committee (ARRC) to explore the replacement for USD LIBOR.

– ARRC has formally recommended the **Secured Overnight Financing Rate** (**SOFR**) as the alternative rate index (July 2021).

– ARRC published the Paced Transition Plan, outlining specific steps and timeliness for the transition to and implementation of SOFR, including developing the framework for term-structure SOFR.

– International Swaps and Derivatives Association (ISDA) is implementing fallbacks to align with ARRC recommended fallback language.

Understand "SOFR"

The Market's Proposed Replacement Rate

What is SOFR?

- SOFR, the Secured Overnight Financing Rate, is the presumptive replacement for USD LIBOR.
- Designed and implemented by the Federal Reserve Bank of New York (FRBNY) and the U.S Treasury office of Financial Research (OFR).
- Reflects overnight U.S Treasury repo transaction activity nearing ~$750 billion daily.

Understand "SOFR"

The Market's Proposed Replacement Rate

How does SOFR differ from LIBOR?

LIBOR	SOFR
– Unsecured rate	– Secured rate
– Various maturities	– Overnight, for now
– Built-in credit risk component	– Essentially, a risk-free rate
– Partially transaction based	– Wholly transaction based
– $500 *million* underlying transactions	– $750 *billion* underlying transactions

Takeaway: SOFR does <u>not</u> equal LIBOR!

LIBOR Rate's Future – What's next?

- **Educate stakeholders in your organization**
  - Who needs to know?
    - Accounting and finance
    - Legal
    - Members with signatory authority
  - What do they need to know?
    - "Fallback language"
    - What is SOFR
    - What contracts utilize LIBOR?
- **ASU's 2020-04 and 2021-01 *Reference Rate Reform* issued March 2020 and January 2021, respectively**
  - Intended to ease the transition with certain practical expedients

5. Accounting for Employee Retention Credits

Employee Retention Credit (ERC)

What is the Employee Retention Credit (ERC)?

- The Employee Retention Credit (ERC) is a fully refundable **payroll tax credit** for eligible employers based upon eligibility and payment of qualified wages and health plan expenses
- ERC applies to qualified expenses paid after March 12, 2020 and is set to expire on December 31, 2021 (or September 30, 2021 with current pending legislation)

Who is eligible for ERC's?

- An eligible employer is any employer carrying on a "trade or business" during the ERC period (March 13, 2020 through December 31, 2021), that **either**:

  a) Fully or partially suspended operation during any calendar quarter during the ERC period due to orders from an appropriate governmental authority limiting commerce, travel, or group meetings, due to COVID-19; **or**

  b) Experience a "significant decline in gross receipts" during the calendar quarter

Employee Retention Credit - Credit Amount

2020

- 50% of Qualified Wages
- Maximum $10,000 of Qualified Wages per employee
- $5,000 maximum credit per employee from March 13, 2020 through December 31, 2020

2021

- 70% of Qualified Wages
- Maximum $10,000 of Qualified Wages per employee
- $7,000 maximum credit per employee/per quarter (up to $28,000 credit per employee)

Employee Retention Credit (ERC)

How is the credit claimed?

- For prior quarter ERC claims, refund claim is filed via “amended” Form 941 quarterly payroll tax return.
- For “current” ERC claims (no Form 941 currently filed for the quarter), employer is able to reduce required future payroll deposits and excess ERC (if any) is refunded.
- Employers can request “advance payment” of the credit on Form 7200

Should financial statements reflect the credit?

- Yes, the credit amount should be recorded as a receivable on your internal and external financial statements as of the end of the period for which you are claiming the credit.
- For instance, ERC’s received for Q3 2021 eligible wages, should be recorded as a receivable as of September 30, 2021.

Employee Retention Credit (ERC)

Are the credits recorded as a reduction in payroll tax expense?

- No, the credit is meant to supplement wages, similar to PPP. It is just claimed through payroll tax filings.

Ok, so the credit is recorded as a reduction in wage expense?

- IRS guidance indicates that the credit should be reflected as a reduction in wage expense, HOWEVER, this could lead to a problem of comparability from one period to another for financial reporting.
- Alternatively, separately recording the credits claimed as “Other Income” using the government grant model (similar to PPP) would allow for comparable presentation of financial information from one year to the next.
- If separately reporting ERC’s within “Other Income” there would still be a required adjustment to reclassify against wage expenses for Federal income tax reporting purposes.

Employee Retention Credit (ERC)

How are ERC receivables relieved?

- For credits received as refunds, relieve the receivable when the cash is received.
- For credits used to reduce future payroll tax deposits, the receivable should be reduced each pay period and payroll tax expense increased by the amount of the credit used.

What do the journal entries look like?

- Initial accounting should be:
  - Debit: ERC Receivable $XXX,XXX
  - Credit: Other Income $XXX,XXX

Employee Retention Credit (ERC)

What do the journal entries look like (continued)?

- Journal entry to record receipt of cash refunds:
  - Debit: Cash $XXX,XXX
  - Credit: ERC Receivable $XXX,XXX

- Journal entry to record use of ERC's to reduce future payroll tax deposits:
  - Debit: Payroll tax expense $XXX,XXX
  - Credit: ERC Receivable $XXX,XXX

6. Private Company Accounting Alternatives

Private Company Council

What is the Private Company Council (PCC)?

- Established in May 2012.
- Currently has 11 members.
- Primary advisory body to the FASB on private company matters.
- Advises the FASB on the appropriate accounting treatment for private companies for items under active consideration on the FASB's technical agenda.
- Advises the FASB on possible alternatives within GAAP to address the needs of users of private company financial statements.
- Any proposed changes to GAAP are subject to endorsement by the FASB.
- **Currently, there are 4 formal accounting alternatives.**

PCC Accounting Alternatives

1. Accounting for Goodwill in a Business Combination (ASU 2014-02)
2. Accounting for Identified Intangible Assets in a Business Combination (ASU 2014-18)
3. Accounting for Variable Interest Entities under Common Control (ASU 2014-07)
4. Accounting for Derivates and Hedging (ASU 2014-03)

PCC Accounting Alternatives

1. Accounting for Goodwill in a Business Combination (ASU 2014-02)

- For private companies electing this alternative - Existing goodwill and new goodwill recognized after the beginning of the annual period of adoption should be amortized on a straight-line basis over 10 years, or less than 10 years if the entity demonstrates that another useful life is more appropriate.
- Impairment testing is only required when a triggering event occurs. The reporting entity may first perform a qualitative assessment. If the qualitative assessment indicates that it is more likely than not that goodwill is not impaired, further testing is unnecessary.
- A goodwill impairment loss, if any, is determined as the excess of the carrying amount of the entity or reporting unit over its Fair Value. Step two of the current impairment test, which requires the hypothetical application of purchase accounting to determine the goodwill impairment amount, is eliminated.

PCC Accounting Alternatives

2. Accounting for Identified Intangible Assets in a Business Combination (ASU 2014-18)

- The following intangible assets are no longer required to be recognized separately from goodwill for private companies:
  1) Customer-related intangible assets unless they are capable of being sold or licensed independently from the other assets of the business; and
  2) Noncompetition agreements.
- An entity that elects the Intangibles Accounting Alternative **must** adopt the Goodwill Accounting Alternative. HOWEVER, an entity that elects the Goodwill Accounting Alternative is not required to adopt the Intangibles Accounting Alternative.
- Contract assets and liabilities (under Topic 606) and Leases are not considered customer-related intangible assets under this alternative, therefore are not subsumed into Goodwill.

PCC Accounting Alternatives

3. Accounting for Variable Interest Entities (VIE's) under Common Control (ASU 2014-18 and ASU 2018-17)

- "Full" GAAP requires VIE's to be consolidated for financial reporting purposes.
- Under this alternative, a private company can elect not to apply VIE guidance to legal entities under common control if both the parent and the legal entity being evaluated for consolidation are not public companies. <u>If elected, VIE's are no longer required to be consolidated for financial reporting purposes.</u>
- Original pronouncement (ASU 2014-18) only allowed alternative to be applied to common control leasing arrangements.
- Update in 2018 (ASU 2018-17) expanded the alternative to apply to all common control relationships.
- Related party disclosures are still required under FASB ASC 850.

7. Brush-up on Recent Standards Updates

Revenue Recognition (ASC 606)

Core Principle

- An entity shall recognize revenue to depict the **transfer** of goods or services to the customer in an amount that reflects the consideration the entity receives, or expects to receive, in exchange for those goods or services provided.

Revenue Recognition (ASC 606)

Five steps to apply the core principle:

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.
5. Recognize revenue when (or as) the entity satisfied a performance obligation.

Revenue Recognition – Observations

- The standard does not apply only to construction contracts!
- Largely resulted in many new disclosures, very few adjustments.
  - But you can't assume there is no impact, you must document that the standard has no effect.
- Considerations for non-construction companies:
  - Do you have a contract with a customer?
    - Does not have to be a written contract!
  - What are the performance obligations under the contract?
    - Are there multiple components within the contract that need to be segregated (i.e. manufacturing vs. installation)?
  - Are goods or services provided over time, or at a point in time?
    - When is customer receiving the benefit of the good or service?
    - Method will drive timing of recognition to all at once, or split up over a longer period.
    - Timing of billing does not necessarily coincide with timing of revenue recognition.

Financial Instruments (ASU 2016-01)

- Required beginning with 2019 calendar year end periods for private companies.
- Changes in fair value of equity investments previously classified as available for sale securities are required to be recorded through net income in the Income Statement.
- Previously changes in fair value were recorded in Other Comprehensive Income, NOT in current period income, with accumulated changes represented within equity (AOCI).
- Guidance does NOT apply to non-equity securities held, such as bonds, investments recorded using the cost method, equity method or other alternative investments (for example: precious metals).

Debt Issuance Costs (ASU 2015-03)

- Required beginning with 2017 calendar year end periods for private companies.
- Debt issuance costs are deducted from carrying value of the liability and NOT presented as an asset.
- Amortization is no longer straight-line.
- Instead, the effective interest rate method of amortizing should be used. The effective interest on the loan is higher than the actual stated interest rate in the loan agreement.
- Amortization should be included as a component of interest expense.

Debt Issuance Costs (ASU 2015-03)

- Best method to determine periodic amortization:
  - Run 2 amortization schedules:
    - First, with original loan amount and terms, and
    - Second, with the original loan balance reduced by the debt issuance costs and interest rate imputed using same payment amounts.
  - More payment will be allocated to interest on the second schedule due to the lower loan amount (original loan, less the debt issuance cost).
  - The difference in periodic interest between the two schedules represents the amount of amortization that should be recorded on the debt issuance costs.

Debt Issuance Costs (ASU 2015-03)

- Example:
  - $100,000 loan on 12/1/2021
  - 5.00% interest rate
  - 24 monthly payments of $4,387.14
  - $5,000 in loan origination costs capitalized

ORIGINAL LOAN TERMS

Compound Period:		Monthly
Nominal Annual Rate:		5.000%

	Event	Date	Amount	Number	Period	End Date
1	Loan	12/1/2021	100,000.00	1		
2	Payment	1/1/2022	4,387.14	24	Monthly	12/1/2023

AMORTIZATION SCHEDULE - Normal Amortization

	Date	Payment	Interest	Principal	Balance
1	1/1/2022	4,387.14	416.67	3,970.47	96,029.53
2	2/1/2022	4,387.14	400.12	3,987.02	92,042.51
3	3/1/2022	4,387.14	383.51	4,003.63	88,038.88
4	4/1/2022	4,387.14	366.83	4,020.31	84,018.57
5	5/1/2022	4,387.14	350.08	4,037.06	79,981.51
6	6/1/2022	4,387.14	333.26	4,053.88	75,927.63
7	7/1/2022	4,387.14	316.37	4,070.77	71,856.86
8	8/1/2022	4,387.14	299.40	4,087.74	67,769.12
9	9/1/2022	4,387.14	282.37	4,104.77	63,664.35
10	10/1/2022	4,387.14	265.27	4,121.87	59,542.48
11	11/1/2022	4,387.14	248.09	4,139.05	55,403.43
12	12/1/2022	4,387.14	230.85	4,156.29	51,247.14
13	1/1/2023	4,387.14	213.53	4,173.61	47,073.53
14	2/1/2023	4,387.14	196.14	4,191.00	42,882.53
15	3/1/2023	4,387.14	178.68	4,208.46	38,674.07
16	4/1/2023	4,387.14	161.14	4,226.00	34,448.07
17	5/1/2023	4,387.14	143.53	4,243.61	30,204.46
18	6/1/2023	4,387.14	125.85	4,261.29	25,943.17
19	7/1/2023	4,387.14	108.10	4,279.04	21,664.13
20	8/1/2023	4,387.14	90.27	4,296.87	17,367.26
21	9/1/2023	4,387.14	72.36	4,314.78	13,052.48
22	10/1/2023	4,387.14	54.39	4,332.75	8,719.73
23	11/1/2023	4,387.14	36.33	4,350.81	4,368.92
24	12/1/2023	4,387.14	18.22	4,368.92	0.00
Grand Totals		105,291.36	5,291.36	100,000.00	

LOAN TERMS WITH DEBT ISSUANCE COSTS

Compound Period:		Monthly
Nominal Annual Rate:		10.077%

	Event	Date	Amount	Number	Period	End Date
1	Loan	12/1/2021	95,000.00	1		
2	Payment	1/1/2022	4,387.14	24	Monthly	12/1/2023

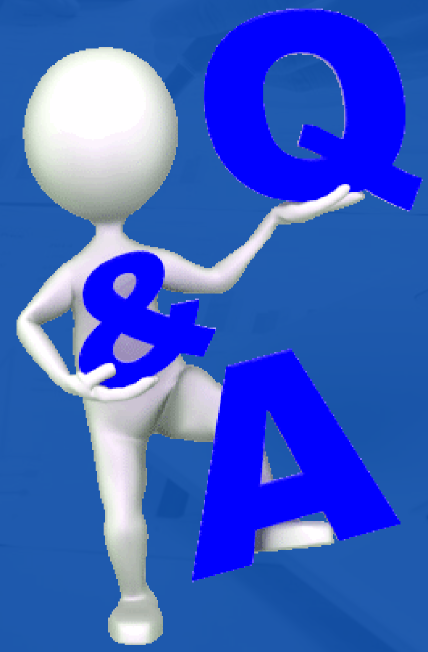
AMORTIZATION SCHEDULE - Normal Amortization

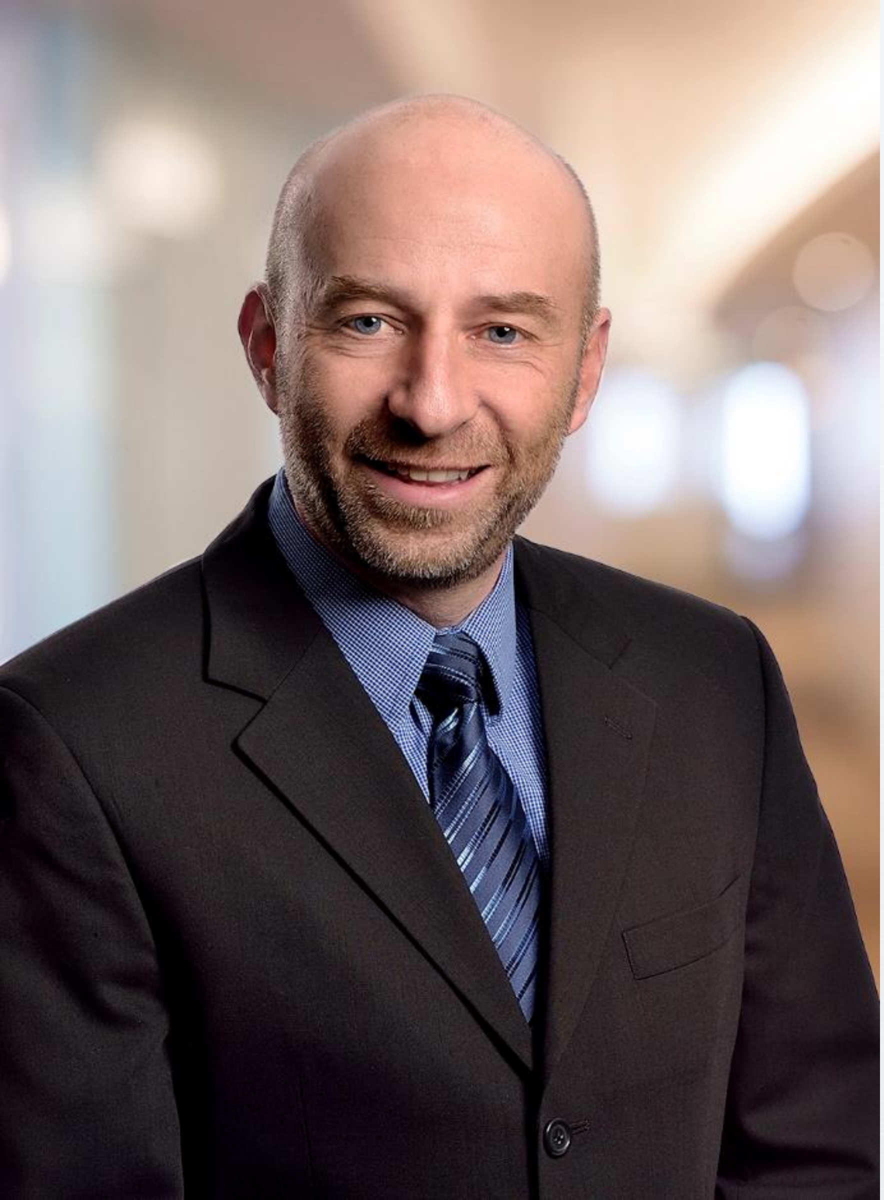
	Date	Payment	Interest	Principal	Balance
1	1/1/2022	4,387.14	797.75	3,589.39	91,410.61
2	2/1/2022	4,387.14	767.61	3,619.53	87,791.08
3	3/1/2022	4,387.14	737.22	3,649.92	84,141.16
4	4/1/2022	4,387.14	706.57	3,680.57	80,460.59
5	5/1/2022	4,387.14	675.66	3,711.48	76,749.11
6	6/1/2022	4,387.14	644.49	3,742.65	73,006.46
7	7/1/2022	4,387.14	613.06	3,774.08	69,232.38
8	8/1/2022	4,387.14	581.37	3,805.77	65,426.61
9	9/1/2022	4,387.14	549.41	3,837.73	61,588.88
10	10/1/2022	4,387.14	517.19	3,869.95	57,718.93
11	11/1/2022	4,387.14	484.69	3,902.45	53,816.48
12	12/1/2022	4,387.14	451.92	3,935.22	49,881.26
13	1/1/2023	4,387.14	418.87	3,968.27	45,912.99
14	2/1/2023	4,387.14	385.55	4,001.59	41,911.40
15	3/1/2023	4,387.14	351.95	4,035.19	37,876.21
16	4/1/2023	4,387.14	318.06	4,069.08	33,807.13
17	5/1/2023	4,387.14	283.89	4,103.25	29,703.88
18	6/1/2023	4,387.14	249.44	4,137.70	25,566.18
19	7/1/2023	4,387.14	214.69	4,172.45	21,393.73
20	8/1/2023	4,387.14	179.65	4,207.49	17,186.24
21	9/1/2023	4,387.14	144.32	4,242.82	12,943.42
22	10/1/2023	4,387.14	108.69	4,278.45	8,664.97
23	11/1/2023	4,387.14	72.76	4,314.38	4,350.59
24	12/1/2023	4,387.14	36.55	4,350.59	0.00
Grand Totals		105,291.36	10,291.36	95,000.00	

Debt Issuance Costs – Calculation of Amortization

Date	Original Interest	Interest w/Debt Issuance Costs	Difference = New Monthly Amortization	Old Straight-line Method	Increase (Decrease) in Monthly Expense from Old Method
1/1/2022	416.67	797.75	381.08	208.33	172.75
2/1/2022	400.12	767.61	367.49	208.33	159.16
3/1/2022	383.51	737.22	353.71	208.33	145.38
4/1/2022	366.83	706.57	339.74	208.33	131.41
5/1/2022	350.08	675.66	325.58	208.33	117.25
6/1/2022	333.26	644.49	311.23	208.33	102.90
7/1/2022	316.37	613.06	296.69	208.33	88.36
8/1/2022	299.40	581.37	281.97	208.33	73.64
9/1/2022	282.37	549.41	267.04	208.33	58.71
10/1/2022	265.27	517.19	251.92	208.33	43.59
11/1/2022	248.09	484.69	236.60	208.33	28.27
12/1/2022	230.85	451.92	221.07	208.33	12.74
1/1/2023	213.53	418.87	205.34	208.33	(2.99)
2/1/2023	196.14	385.55	189.41	208.33	(18.92)
3/1/2023	178.68	351.95	173.27	208.33	(35.06)
4/1/2023	161.14	318.06	156.92	208.33	(51.41)
5/1/2023	143.53	283.89	140.36	208.33	(67.97)
6/1/2023	125.85	249.44	123.59	208.33	(84.74)
7/1/2023	108.10	214.69	106.59	208.33	(101.74)
8/1/2023	90.27	179.65	89.38	208.33	(118.95)
9/1/2023	72.36	144.32	71.96	208.33	(136.37)
10/1/2023	54.39	108.69	54.30	208.33	(154.03)
11/1/2023	36.33	72.76	36.43	208.33	(171.90)
12/1/2023	18.22	36.55	18.33	208.33	(190.00)
	5,291.36	10,291.36	**5,000.00**	5,000.00	0.00

Questions





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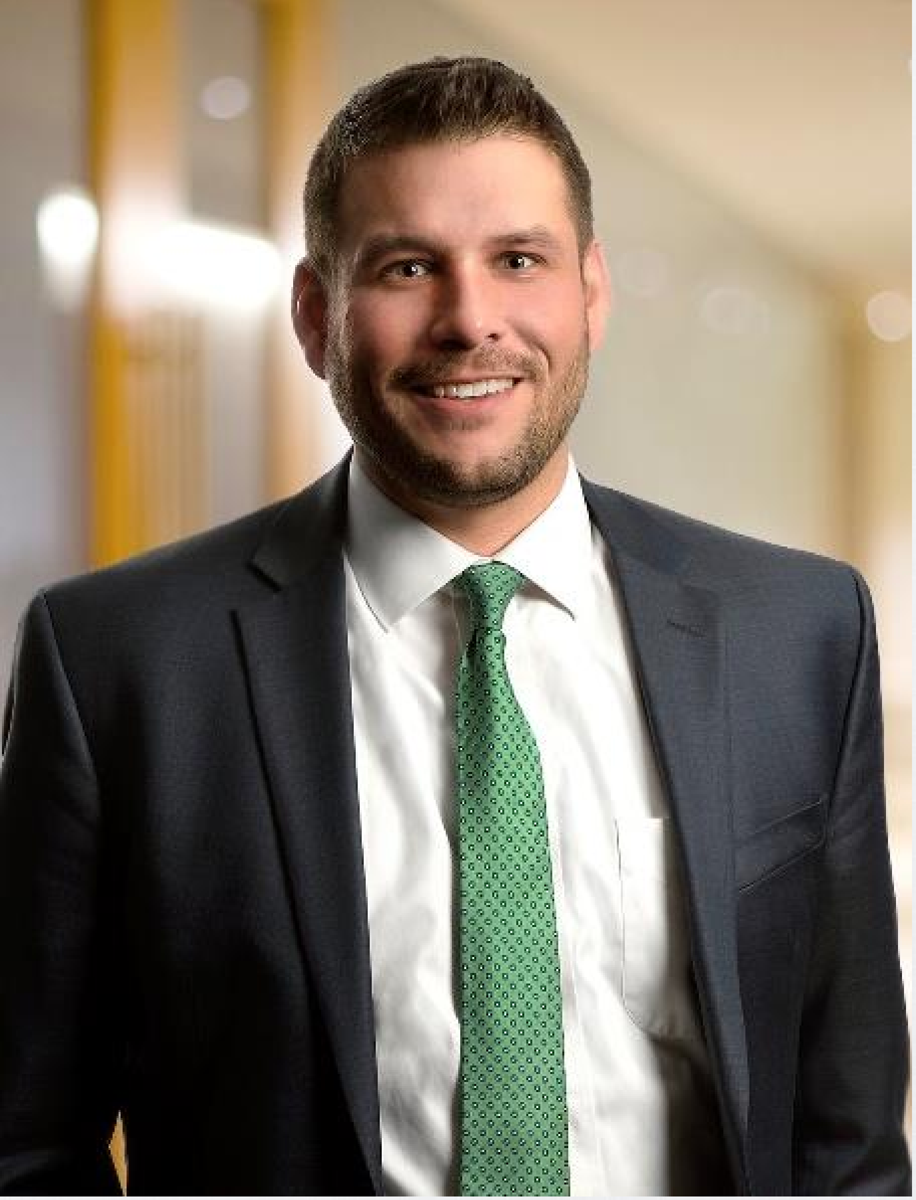

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