



**Rand Worldwide Inc. and Subsidiaries
Consolidated Financial Statements**

For the years ended June 30, 2024 and 2023

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Independent Auditor's Report

Board of Directors and Stockholders
Rand Worldwide, Inc. and Subsidiaries
Owings Mills, Maryland

Opinion

We have audited the accompanying consolidated financial statements of Rand Worldwide, Inc. and Subsidiaries, which comprise the consolidated balance sheets as of June 30, 2024 and 2023, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Rand Worldwide, Inc. and Subsidiaries as of June 30, 2024 and 2023, 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 Rand Worldwide, Inc. and Subsidiaries 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 Rand Worldwide, Inc. and Subsidiaries' ability to continue as a going concern within one year after the date that these 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 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 Rand Worldwide, Inc. and Subsidiaries' 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 Rand Worldwide, Inc. and Subsidiaries' 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.

Forvis Mazars, LLP

**Tysons, Virginia
September 6, 2024**

Rand Worldwide, Inc. and Subsidiaries
Consolidated Balance Sheets

	June 30,	
	2024	2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 14,443,000	\$ 4,723,000
Accounts receivable, less allowance of \$482,000 and \$300,000 in 2024 and 2023	51,167,000	29,063,000
Other receivables	789,000	274,000
Income tax receivable	—	172,000
Prepaid expenses and other current assets	4,567,000	4,199,000
Current portion of contract assets	64,296,000	6,031,000
Total current assets	135,262,000	44,902,000
Property and equipment, net	1,209,000	1,295,000
Operating right-of-use assets	2,208,000	3,049,000
Goodwill	16,412,000	16,452,000
Other intangible assets, net	21,000,000	23,648,000
Contract assets, net of current portion	81,007,000	5,443,000
Deferred tax asset	—	440,000
Other assets	456,000	845,000
Total assets	\$ 257,554,000	\$ 95,634,000

See accompanying notes.

Rand Worldwide, Inc. and Subsidiaries
Consolidated Balance Sheets (Continued)

	June 30,	
	2024	2023
Liabilities and stockholders' equity		
Current liabilities:		
Current portion of note payable	\$ 8,234,000	\$ 7,600,000
Accounts payable and accrued expenses	34,656,000	16,377,000
Accrued compensation and related benefits	6,814,000	6,474,000
Deferred revenue	12,701,000	11,973,000
Income tax payable	218,000	—
Current portion of operating lease liabilities	1,038,000	1,270,000
Current portion of contract-related liabilities	65,894,000	6,553,000
Total current liabilities	129,555,000	50,247,000
Long-term liabilities:		
Note payable, net	7,551,000	15,125,000
Deferred revenue	2,731,000	3,247,000
Operating lease liabilities	1,279,000	1,912,000
Deferred tax liability	80,000	—
Contract-related liabilities, net of current portion	78,645,000	6,553,000
Total liabilities	219,841,000	77,084,000
Stockholders' equity:		
Common stock, \$0.01 par value; 40,000,000 shares authorized; issued and outstanding shares of 33,593,485 and 33,578,100 at June 30, 2024 and June 30, 2023, respectively	336,000	336,000
Additional paid-in capital	7,043,000	6,557,000
Retained earnings	30,905,000	12,061,000
Accumulated other comprehensive loss	(571,000)	(404,000)
Total stockholders' equity	37,713,000	18,550,000
Total liabilities and stockholders' equity	\$ 257,554,000	\$ 95,634,000

See accompanying notes.

Rand Worldwide, Inc. and Subsidiaries
Consolidated Statements of Income

	Years ended	
	June 30, 2024	June 30, 2023
Revenues:		
Product sales	\$ 330,701,000	\$ 296,989,000
Service revenue	41,265,000	40,528,000
Commission revenue	36,139,000	39,418,000
Total revenues	408,105,000	376,935,000
Cost of revenues:		
Cost of product sales	243,483,000	224,641,000
Cost of service revenue	26,376,000	25,024,000
Total cost of revenues	269,859,000	249,665,000
Gross margin	138,246,000	127,270,000
Operating expenses:		
Selling, general and administrative	63,978,000	60,941,000
Depreciation and amortization	3,272,000	3,234,000
Total operating expenses	67,250,000	64,175,000
Operating income	70,996,000	63,095,000
Other (income) expense:		
Interest expense	718,000	964,000
Currency exchange gains	(59,000)	(27,000)
Loss (gain) on interest rate swap	385,000	(95,000)
Other expense	69,000	23,000
	1,113,000	865,000
Income before income taxes	69,883,000	62,230,000
Income tax expense	17,449,000	16,182,000
Net income	52,434,000	46,048,000
Preferred stock dividends	(4,000)	(4,000)
Net income available to common stockholders	\$ 52,430,000	\$ 46,044,000
Earnings per common share attributable to common shareholders – basic	\$ 1.56	\$ 1.37
Earnings per common share attributable to common shareholders – diluted	\$ 1.54	\$ 1.35
Shares used for computing income per common share:		
Weighted average shares used in computation - basic	33,584,326	33,578,100
Weighted average shares used in computation - diluted	33,963,281	33,988,439

See accompanying notes.

Rand Worldwide, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income

	Years ended	
	June 30, 2024	June 30, 2023
Net income	\$ 52,434,000	\$ 46,048,000
Other comprehensive income, net of tax:		
Net change in cumulative foreign currency translation adjustment	(167,000)	(199,000)
Comprehensive income	<u>\$ 52,267,000</u>	<u>\$ 45,849,000</u>

See accompanying notes.

Rand Worldwide, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity

	<u>Convertible Preferred Stock</u>		<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Total</u>
	<u>Number of Shares</u>	<u>Par Value</u>	<u>Number of Shares</u>	<u>Par Value</u>				
Balance at July 1, 2022	42,270	\$ —	33,578,100	\$ 336,000	\$ 5,783,000	\$ 16,381,000	\$ (205,000)	\$ 22,295,000
Stock-based compensation	—	—	—	—	778,000	—	—	778,000
Common stock dividends	—	—	—	—	—	(50,368,000)	—	(50,368,000)
Preferred stock dividends	—	—	—	—	(4,000)	—	—	(4,000)
Foreign currency translation adjustment	—	—	—	—	—	—	(199,000)	(199,000)
Net income	—	—	—	—	—	46,048,000	—	46,048,000
Balance at June 30, 2023	42,270	\$ —	33,578,100	\$ 336,000	\$ 6,557,000	\$ 12,061,000	\$ (404,000)	\$ 18,550,000

Rand Worldwide, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity (Continued)

	<u>Convertible Preferred Stock</u>		<u>Common Stock</u>			<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Total</u>
	<u>Number of Shares</u>	<u>Par Value</u>	<u>Number of Shares</u>	<u>Par Value</u>					
Balance at July 1, 2023	42,270	\$ —	33,578,100	\$ 336,000		\$ 6,557,000	\$ 12,061,000	\$ (404,000)	\$ 18,550,000
Stock-based compensation	—	—	—	—		490,000	—	—	490,000
Issuance of common stock upon the conversion of preferred stock	(10)	—	15,385	—		—	—	—	—
Common stock dividends	—	—	—	—		—	(33,590,000)	—	(33,590,000)
Preferred stock dividends	—	—	—	—		(4,000)	—	—	(4,000)
Foreign currency translation adjustment	—	—	—	—		—	—	(167,000)	(167,000)
Net income	—	—	—	—		—	52,434,000	—	52,434,000
Balance at June 30, 2024	42,260	\$ —	33,593,485	\$ 336,000		\$ 7,043,000	\$ 30,905,000	\$ (571,000)	\$ 37,713,000

See accompanying notes.

Rand Worldwide, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

	Years ended	
	June 30, 2024	June 30, 2023
Cash flows from operating activities		
Net income	\$ 52,434,000	\$ 46,048,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on disposal of fixed assets	12,000	23,000
Credit loss expense	417,000	282,000
Depreciation and amortization	3,272,000	3,234,000
Reduction in the carrying amount of operating right-of-use assets	1,327,000	1,509,000
Stock-based compensation	490,000	778,000
Deferred income taxes	520,000	(1,066,000)
Changes in operating assets and liabilities:		
Accounts receivable and other receivables	(23,036,000)	11,373,000
Income tax receivable	172,000	(172,000)
Prepaid expenses and other current assets	(342,000)	(1,503,000)
Contract assets	(133,829,000)	(10,987,000)
Other assets	389,000	(98,000)
Accounts payable and accrued expenses	18,279,000	(17,510,000)
Accrued compensation and related benefits	340,000	612,000
Deferred revenue	212,000	1,720,000
Income taxes payable	218,000	(2,470,000)
Operating lease liabilities	(1,351,000)	(1,486,000)
Contract-related liabilities	131,433,000	13,106,000
Net cash provided by operating activities	<u>50,957,000</u>	<u>43,393,000</u>
Cash flows from investing activities		
Purchases of property and equipment	(593,000)	(710,000)
Purchase of intangible assets	—	(11,000)
Proceeds from sale of asset	17,000	2,000
Net cash used in investing activities	<u>(576,000)</u>	<u>(719,000)</u>
Cash flows from financing activities		
Proceeds from borrowings under line of credit	—	1,250,000
Repayment of borrowings under line of credit	—	(1,250,000)
Repayment of borrowings under note payable	(6,966,000)	(7,600,000)
Payment of common stock dividends	(33,590,000)	(50,368,000)
Payment of preferred stock dividends	(4,000)	(4,000)
Net cash used in financing activities	<u>(40,560,000)</u>	<u>(57,972,000)</u>
Effect of exchange rate changes on cash	(101,000)	(154,000)
Net change in cash	9,720,000	(15,452,000)
Cash and cash equivalents - beginning of year	4,723,000	20,175,000
Cash and cash equivalents - end of year	<u>\$ 14,443,000</u>	<u>\$ 4,723,000</u>

See accompanying notes.

Rand Worldwide, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

1. Nature of Business and Summary of Significant Accounting Policies

When used throughout these notes, the terms “Rand Worldwide”, “the Company”, “we”, “us” and “our” refer to Rand Worldwide, Inc. and, unless the context clearly indicates otherwise, its consolidated subsidiaries.

Nature of Business

Rand Worldwide is a leading supplier in the design automation, facilities and data management software marketplace. Rand Worldwide also provides value-added services, such as training, technical support and other consulting and professional services to businesses, government agencies and educational institutions worldwide.

The Company is organized into five divisions: IMAGINiT Technologies (“IMAGINiT”), Rand Simulation, Facilities Management, ASCENT, and Rand 3D.

The IMAGINiT division operates in the United States and Canada and is one of the largest value-added resellers of Autodesk, Inc. (“Autodesk”) products in the world, providing Autodesk solutions and system integration and consulting services to customers in the manufacturing, infrastructure, building, and media and entertainment industries. As an authorized reseller for Leica Geosystems, IMAGINiT offers a range of 3D laser scanning equipment and related software along with the expertise to help architectural, engineering and construction firms benefit from such technology. Through its partnership with Epic Games, IMAGINiT resells Twinmotion visualization software which provides design professionals the ability to instantly transform architectural models and designs into a vivid experience with photorealistic images and immersive videos. IMAGINiT also offers BlueBeam construction software for PDF markups, digital workflows and project collaboration and sells its own proprietary software products and related services, enhancing its total client solution offerings.

The Rand Simulation division offers Ansys engineering simulation software to help organizations incorporate simulation technology into the product development process. Rand Simulation also provides simulation consulting services to enable organizations to achieve cost savings and design improvements through simulation technology.

The Facilities Management division offers ARCHIBUS products for facilities management software for space planning, strategic planning, and lease/property administration, and provides a full range of training, consulting and support services for the ARCHIBUS products.

ASCENT is the courseware division of Rand Worldwide and is a leading developer of professional training materials and knowledge products for engineering software tools.

The Rand 3D division specializes in training solutions for Dassault Systèmes and PTC products including Pro/ENGINEER, CREO, and Windchill.

Basis of Presentation

The Company’s consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The financial statements include the accounts of the Company and its wholly-owned subsidiaries, which include Rand Worldwide Subsidiary, Inc. which operates in the United States, and Rand A Technology Corporation, which operates in Canada. All significant intercompany transactions and balances have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

Cash and Cash Equivalents

The Company considers all highly liquid investments with insignificant interest rate risk and original maturities of three months or less at the date of purchase to be cash equivalents. Cash equivalents are recorded at cost, which approximate fair value due to their short-term nature.

Concentration of credit risks

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and cash equivalents as well as accounts receivable. At times, the Company maintains deposits in financial institutions in excess of federally insured limits.

Property and Equipment

Property and equipment is stated at cost. Depreciation for computer software and equipment and office furniture and equipment is provided for by the straight-line method over estimated useful lives ranging from three to seven years. Leasehold improvements are amortized over the lesser of the lease term or 15 years using the straight-line method. Repairs and maintenance costs are expensed as incurred. Depreciation expense for the years ended June 30, 2024 and June 30, 2023 was \$624,000 and \$587,000, respectively.

Property and equipment consist of the following as of June 30:

	2024	2023
Computer software and equipment	\$ 3,713,000	\$ 3,573,000
Office furniture and equipment	1,204,000	1,450,000
Leasehold improvements	224,000	245,000
	<u>5,141,000</u>	<u>5,268,000</u>
Less: accumulated depreciation and amortization	<u>(3,932,000)</u>	<u>(3,973,000)</u>
	<u>\$ 1,209,000</u>	<u>\$ 1,295,000</u>

Impairment of Long-Lived Assets Excluding Goodwill

Long-lived assets, excluding goodwill, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or group of assets may not be fully recoverable. These events or changes in circumstances may include a significant deterioration of operating results, changes in business plans, or changes in anticipated future cash flows. If an impairment indicator is present, the Company evaluates recoverability by a comparison of the carrying amount of the assets to future undiscounted net cash flows expected to be generated by the assets. Assets are grouped at the lowest levels for which there are identifiable cash flows that are largely independent of the cash flows generated by other asset groups. If the assets are impaired, the impairment recognized is measured by the amount by which the carrying amount exceeds the fair value of the assets. Fair value is generally determined by estimates of discounted cash flows. The discount rate used in any estimate of discounted cash flows would be the rate required for a similar investment of like risk.

Goodwill

Goodwill is the excess of the purchase price paid over the fair value of the identifiable net assets acquired in purchase business combinations. Goodwill is subject to annual impairment tests or more frequently when events and circumstances occur indicating that recorded goodwill may be impaired. Impairment is the condition that exists when the carrying amount of goodwill exceeds its implied fair value. The implied fair value of goodwill is the amount determined by deducting the estimated fair value of all tangible and identifiable intangible net assets of the reporting unit to which goodwill has been allocated from the estimated fair value of the reporting unit. If the recorded value of goodwill exceeds its implied value, an impairment charge is recorded for the excess. The Company performed a qualitative assessment of its goodwill as of June 30, 2024 and determined no goodwill impairment exists.

The change in the carrying amount of goodwill during the years ended June 30, 2024 and 2023 is as follows:

Balance as of July 1, 2022	\$ 16,487,000
Effect of foreign currency translation	<u>(35,000)</u>
Balance as of June 30, 2023	16,452,000
Effect of foreign currency translation	<u>(40,000)</u>
Balance as of June 30, 2024	<u>\$ 16,412,000</u>

Revenue Recognition and Accounts Receivable

The Company's Consolidated Statements of Income includes Product sales, which is comprised of software and hardware sales transacted on a resale basis, Service revenue and Commission revenue on certain software subscription sales.

During fiscal years ended June 30, 2023 and 2024, the majority of software sales were transacted on a resale basis. Effective June 10th, 2024, the Company's largest partner, Autodesk, transitioned most of its sales to an agency model and pays the Company a commission. Thus, the majority of its future sales revenues will be reported net of cost as commission revenue. (See Footnote 16).

Product Sales

The Company recognizes revenue in these categories when control of promised goods and services has passed to the customer in an amount that reflects the consideration the Company expects to receive in exchange for those goods and services. The Company determines the amount of revenue to be recognized through the following steps:

A contract is identified with a customer. A contract with a customer arises upon the customer's written acceptance of a sales proposal or upon the Company's acceptance of a customer's purchase order. In the case of a complex services project, a contract with a customer arises from the execution of both a master services agreement and a statement of work. Such contracts define each party's rights and obligations, specify the goods or services to be transferred and define the payment terms related to these goods or services. Contracts are recognized as valid only to the extent the contracts have commercial substance and collection of consideration is deemed probable.

Performance obligations in the contract are identified. A promised good or service is a performance obligation if it is capable of being distinct and distinct in the context of the contract. Each performance obligation is separately described, in an itemized manner, on the underlying proposal or purchase order. In the case of a complex services project, performance obligations are defined as tasks or phases within the statement of work. To the extent a contract includes promised goods or services, judgment is applied to determine whether such obligations are distinct. Promised goods or services that are not distinct are combined with existing performance obligations.

Transaction price is determined. The transaction price is determined based on the price listed on the underlying proposal or purchase order. The Company does not provide any rebates or early-pay discounts to customers and need not consider discounts or rebates when determining the transaction price.

Transaction price is allocated to the performance obligations in the contract. If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. When contracts contain multiple performance obligations the transaction price is allocated to each performance obligation based on a relative standalone selling price basis. Standalone selling price is determined based on prices historically charged for the item in question. Any discounts provided off the standalone selling price are allocated ratably to each performance obligation.

Performance obligations are satisfied. The Company satisfies its performance obligations and recognizes revenue upon the delivery of a good or service, or the provision of services over a period of time. Recognition of each category of revenue is described further in the following paragraphs.

The Company recognizes certain revenues over time, and other revenues at a point in time. Revenue recognized over time primarily consists of service revenue, which is recognized on a straight-line basis over its contract period, or in some cases, is recognized when performed. Revenue recognized at a point in time includes substantially all other revenue categories.

The products that the Company sells consist mainly of software which is delivered via the email of license keys, however in some cases physical products are drop-shipped by our suppliers. The Company does not require collateral for accounts receivable and allows returns from customers in very limited situations. The Company has historically not experienced significant returns, and accordingly, allowances for returned products are not recorded.

Prior to March of 2023, substantially all the Company's revenues from the resale of term-based software licenses were billed upfront for the entire license term, including licenses with multi-year terms. Beginning in March of 2023, the Company began offering annual installment billing arrangements when reselling licenses with multi-year terms. Such multi-year installment arrangements are available on licenses offered for resale when its vendors provide matching multi-year installment arrangements on the costs of fulfillment of those sales. Following this change, the Company's product revenues now include a mix of one-year deals, billed upfront, multi-year deals billed upfront and multi-year deals billed in annual installments. Annual installment billing arrangements may not be cancelled or modified.

Revenues from multi-year resale arrangements are recognized in full for the entire term at the point in time when the software license is delivered to the customer. The Company accrues receivables for the portion of the contract to be invoiced in future years.

Service Revenue

Revenue from installation, training and consulting services is recognized as services are rendered, which typically occurs within ninety days of receipt of an order. Support services are sold either in prepaid blocks of hours which typically expire in one year, or as annual contracts for unlimited support for a specified number of users and products supported. Prepaid support service revenue is recognized monthly based upon usage with unused balances recognized in full upon expiration. Annual support contract revenues are recognized ratably over the contract period. Installation and consulting services provided by the Company are not considered essential to the functionality of any software products sold as those services do not alter the functionality or capabilities of the product and could be performed by customers or other vendors.

Commission Revenue

Commission revenue results include payments to the Company for sales under the agency model where the Company works with its customers to determine their software needs and inputs those needs into Autodesk's processing system (see Footnote 16). Then, Autodesk prepares a purchase order, fulfills the order and maintains billing and collection responsibilities. Commission revenue also includes sales of software maintenance agreements and cloud-hosted subscriptions in which the Company invoices the sales and maintains billing and collections

responsibilities. For all such transactions, the Company acts simply as an agent and recognizes as commission revenue payments received from Autodesk and its other partners.

Multiple Performance Obligations

The Company's arrangements with its customers may involve the sale of one or more products and services at the same time. The Company allocates the transaction price to each distinct performance obligation based on the relative standalone selling price of each obligation. Arrangement consideration allocated to undelivered performance obligations is deferred and recognized as the individual obligation is fulfilled.

Customer Acceptance Criteria

If an arrangement includes customer acceptance criteria, the Company defers all revenue from the arrangement until acceptance is received or the acceptance period has lapsed. If a customer's obligation to pay the Company is contingent upon a future event, such as installation or acceptance, the Company defers all revenue from the arrangement until that event has occurred.

Deferred Revenue

Deferred revenue may arise from the sale of a product or a service. The portion of deferred revenue arising from product sales is comprised of amounts that have been invoiced to customers upon delivery of a product but are not yet recognizable as revenue because one or more of the conditions required for revenue recognition have not yet been met. Deferred revenue arising from the sale of services represents amounts invoiced to customers for telephone support contracts or maintenance and support contracts, which are recognized ratably as revenue over the term of the arrangements, or for installation, training or professional services that have not yet been performed.

Product Returns

The Company's arrangements with customers do not contain any rights of product return.

Contract Assets

Contract assets are amounts that are recognized as revenue when a performance obligation has been fulfilled, but has not been billed. The Company's contract assets consist mainly of unbilled revenues of annual installment billing arrangements from the resale of noncancelable multi-year term licenses. These contract assets associated with annual installment arrangements are reported within short-term and long-term contract assets on the accompanying consolidated balance sheets.

The Company's contract assets also include services performed in the current year but not billed until the subsequent year. These contract assets associated with unbilled service revenues are reported within current portion of contract assets on the accompanying consolidated balance sheets and were approximately \$1,199,000 and \$588,000 at June 30, 2024 and 2023, respectively. The opening balance of unbilled service revenue on July 1, 2022, was \$501,000.

The Company's contract assets also include accounts receivable, which is presented separately within the consolidated balance sheets. The opening balance of accounts receivable on July 1, 2022, was \$40,532,000.

Contract-related Liabilities

The Company's contract-related liabilities include cost of goods sold that are payable on an annual installment basis for three-year subscriptions. The Company accrues such payables when the software license is delivered to the customer for the cost of goods sold related to the contract. Contract-related liabilities also include sales commissions to be paid at the time of future installment billings. As of June 30, 2024, the Company has recorded \$65.9 million in short-term contract-related liabilities as well as \$78.6 million in long-term contract-related liabilities. As of June 30, 2023, the Company has recorded \$6.6 million in short-term contract-related liabilities as well as \$6.6 million in long-term contract-related liabilities. Contract-related liabilities are higher than contract assets from these

arrangements, because a significant portion of the deals are invoiced to our customers upfront for the full three-year term while the cost of goods sold is payable to our vendor over three annual installments.

Contract Liabilities

The Company's contract liabilities consist of deferred revenue, which is presented separately within the consolidated balance sheets. The opening balance of deferred revenue on July 1, 2022, was \$10,250,000.

Allowance for Credit Losses

The Company uses estimates to determine the amount of the allowance for credit losses necessary to reduce accounts receivable to its expected net realizable value. The Company estimates the amount of the required allowance by reviewing the status of past-due receivables and analyzing historical trends. Actual collection experience has not varied significantly from estimates, due primarily to credit policies, collection experience, and a lack of concentration of accounts receivable. The Company charges-off receivables deemed to be uncollectible to the allowance for credit losses.

Cost of Product Sales

Cost of product sales consists of the cost of purchasing products from software suppliers or hardware manufacturers. The Company earns rebates from its primary supplier, Autodesk, as a percentage of qualifying purchases. The rebate percentage is based on the type of product sold and higher rebates are earned if the Company exceeds quarterly targets established by Autodesk. Such rebates reduce the cost of product sales and are accrued in the month in which the underlying sales are posted. Cost of product sales applies to sales in which the Company is a principal in the transaction. Sales in which the Company is an agent in the transaction are reported net of cost as commission revenue.

Cost of Service Revenue

Cost of service revenue consists primarily of direct employee compensation of all service personnel, the cost of subcontracted services and direct expenses billable to customers. Cost of service revenue does not include an allocation of overhead costs.

Advertising and Marketing Costs

The Company's marketing activities performed and executed over the course of the year include public relations, tradeshows, email campaigns, social media, website development and enhancement, marketing automation initiatives, virtual events, advertising and promotions as well as ongoing branding efforts. The Company receives funding from its primary vendor, Autodesk, which offsets a portion of the costs incurred for marketing and advertising. Marketing and advertising costs are expensed as incurred, net of vendor funding and are included in selling, general and administrative expenses in the accompanying statements of income. Advertising expenses, net of reimbursements from suppliers, were approximately \$190,000 and \$254,000 for the years ended June 30, 2024 and June 30, 2023, respectively.

Income Taxes

The Company uses the liability method to account for income taxes. Income tax expense includes income taxes currently payable and deferred taxes arising from temporary differences between financial reporting and income tax bases of assets and liabilities. Deferred income taxes are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Valuation allowances are established when the realization of deferred tax assets are not considered more likely than not. The Company records liabilities from uncertain tax positions in accordance with ASC 740-10, *Income Taxes*. The Company believes that its income tax filing positions taken or expected to be taken in its tax returns will more likely than not be sustained upon audit by the taxing authorities and does not anticipate any adjustments that will result in a material adverse impact on the Company's financial condition, results of operations, or cash flow. Therefore, no reserves for uncertain income tax position

have been recorded. Interest and penalties related to unrecognized tax benefits are recorded as part of income tax expense.

Foreign Currency Translation

Assets and liabilities of the Company's foreign subsidiary, whose functional currency is the local currency, are translated into U.S. dollars at the current rates of exchange in effect at the balance sheet dates. Revenues and expenses are translated using the average exchange rates for the period. The resulting translation adjustments are included as a separate component of stockholders' equity in the consolidated balance sheets within accumulated other comprehensive loss. Foreign currency transaction gains or losses resulting from the re-measurement of monetary assets and liabilities stated in a currency other than the functional currency are included in the Company's results of operations.

In addition, for the years ended June 30, 2024 and June 30, 2023, realized currency transaction gains of \$66,000 and \$22,000, respectively, were recorded in the consolidated statements of income.

Revision

Subsequent to the issuance of the fiscal year 2023 consolidated financial statements, revisions were made to capitalized contract costs to correct an immaterial error on the consolidated balance sheet to comply with US GAAP financial statement presentation and conform to the fiscal year 2024 presentation. This revision resulted in an increase in accrued compensation and related benefits with a corresponding increase to prepaid expenses and other current assets. There was no impact to the consolidated statement of income.

Recent Accounting Pronouncements Adopted

Financial Instruments - Credit Losses

Effective July 1, 2023, the Company adopted the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("Topic 326"). This standard prescribes an impairment model (known as the current expected credit loss ("CECL") model) that is based on expected losses rather than incurred losses. Under the new guidance, an entity recognizes an allowance for an estimate of expected credit losses over the entire contractual term of certain financial instruments from the date of initial recognition of the financial instrument. Estimates of expected credit losses over their contractual life are recorded at inception based on historical information, current conditions, and reasonable and supportable forecasts.

Topic 326 is applicable to the Company's accounts receivable and contract assets from revenue transactions. The adoption of Topic 326 did not have a material impact on the Company's consolidated financial statements and related disclosures.

2. Supplemental Disclosure of Cash Flow Information

The Company paid interest of approximately \$1.4 million and \$1.1 million, and federal and state income taxes of approximately \$16.1 million and \$19.3 million, respectively, for the years ended June 30, 2024 and June 30, 2023. The Company recognized an additional \$486,000 and \$1.1 million in additional right-of-use assets as a result of amendments to leases that occurred in the years ended June 30, 2024, and 2023, respectively.

3. Borrowings Under Line of Credit and Note Payable

On June 11, 2021, the Company entered into an amended and restated credit agreement with JP Morgan Chase Bank ("Chase") consisting of two credit facilities which replaced the Company's previous credit agreements. The first facility is a five-year \$10 million line of credit, secured by all assets of the Company with borrowing levels subject to borrowing base limits. The second facility is a five-year, \$38 million term note loan ("note payable") with scheduled principal payments of \$633,000 per month over the five-year term. Proceeds of the \$38 million term note

were used to refinance the \$9 million of outstanding loans to Chase and to fund a common stock dividend paid on June 28, 2021. The Chase loans contain certain financial covenants including a maximum leverage ratio and a minimum fixed charge coverage ratio, as defined in the credit agreement. The Company was in compliance with all covenants as of June 30, 2024 and June 30, 2023.

The Company amended its credit agreement with JP Morgan Chase Bank in October of 2022 to convert from LIBOR-based interest to interest based on the secured overnight financing rate (“SOFR”). The interest rate on both credit facilities, following this October 2022 amendment, is the daily simple SOFR rate plus a margin of 1.6%.

On December 9, 2021, the Company entered into an interest rate swap agreement for a notional amount of \$20 million related to its note payable. The purpose of the interest rate swap is to hedge against fluctuations in benchmark interest rates associated with variable rate debt. As a result of the swap, the Company’s interest rate on the notional amount of the swap is 2.63%, and the Company will pay the variable interest rate, described in the preceding paragraph, on the remaining amount of the note payable. The swap automatically converted to a SOFR basis when the LIBOR index was retired on June 30, 2023, and following that date is based on the daily simple SOFR rate plus a margin of 1.6%. Due to the swap, the Company received \$481,000 of interest income, net of interest expense, and recorded a \$385,000 loss due to the decrease in the fair value of the swap for the year ended June 30, 2024. For the year ended June 30, 2023, the Company received \$411,000 of interest income, net of interest expense, and recorded a \$95,000 gain due to the increase in the fair value of the swap.

The Company had no outstanding borrowings under its line of credit as of June 30, 2024 or 2023.

Long-term debt consists of the following as of June 30:

	<u>2024</u>	<u>2023</u>
Principal amount	\$ 15,834,000	\$ 22,800,000
Less: unamortized debt issuance costs	(49,000)	(75,000)
Less: current portion of note payable	<u>(8,234,000)</u>	<u>(7,600,000)</u>
Note payable, net	<u>\$ 7,551,000</u>	<u>\$ 15,125,000</u>

Remaining principal payments on the note payable are due as follows:

Year ending June 30:	
2025	\$ 8,234,000
2026	7,600,000
Total payments	<u>\$ 15,834,000</u>

4. Preferred Stock

The Company’s preferred stock includes Series D and Series E Convertible Preferred Stock (collectively with Series D Convertible Preferred Stock, the “Convertible Preferred Stock”). Convertible Preferred Stock include the following terms:

Redemption Feature- The Convertible Preferred Stock are redeemable in the event that the Company is engaged in a business combination that is approved by the Board of Directors and subsequently submitted and approved by a vote of the Company’s stockholders. The redemption price for Series D Convertible Preferred Stock is \$0.30 (upon conversion) per share plus an amount equal to all declared and unpaid dividends accrued on such shares since the original issue date. The redemption price for Series E Convertible Preferred Stock is \$0.65 (upon conversion) per share plus an amount equal to all declared and unpaid dividends accrued on such shares since the original issue date.

Voting Rights- Each holder of the Convertible Preferred Stock shall vote together with all other classes and series of stock of the Company as a single class on all actions. Each share shall entitle the holder to one vote per share of common stock into which the preferred stock is then convertible on each such action. In addition, these holders have special voting rights in connection with certain matters, including the issuance of senior

stock or debentures, certain mergers, the dissolution of the Company and any amendment to the charter or the terms of the securities that would impair their rights.

Dividend Rate- The holders of the Convertible Preferred Stock are entitled to receive cumulative dividends at a rate of 10% per annum when and as declared by the Board of Directors. Dividends are paid quarterly to preferred stockholders.

Conversion Feature- The Series D shares are convertible at any time beginning 120 days after the original issuance date at the option of the holder and automatically convert into common stock if the common stock is listed on the NASDAQ exchange and trades for more than \$2.25 per share for 60 consecutive trading days. Each Series D share is convertible into shares of common stock by multiplying the appropriate conversion rate in effect by the number of shares of preferred stock being converted. As of June 30, 2024, the conversion rate would yield approximately two shares of common stock for each share of Series D share and 1,538 shares of common stock for each share of Series E; however, these rates may be adjusted due to stock splits, dividends, and other events defined in the stock purchase agreement between the Company and the holders of the Convertible Preferred Stock.

Liquidation Preference- In the event of a liquidation, dissolution or winding up of the Company, the holders of Series D and Series E shares are entitled to receive for each share, prior and in preference to any distribution of any of the assets or surplus funds to the holders of common stock, an amount equal to \$0.60 and \$0.65 per share, respectively, plus all accumulated but unpaid dividends. If upon the occurrence of such event, the assets and funds thus distributed among the holders are insufficient to permit the payment of the preferential amount, then the entire assets and funds of the Company legally available for distribution shall be distributed ratably among the preferred stockholders.

5. Earnings Per Share

Basic earnings per common share is computed by dividing net earnings available to common stockholders by the weighted-average number of common shares outstanding for the period including those issued through equity compensation plans. Diluted earnings per common share include the potential dilution that would occur from common shares issuable upon the conversion of preferred stock and restricted stock units. As of June 30, 2024 and 2023, 378,955 and 410,339 shares of common stock were issuable upon the conversion of preferred stock and restricted stock units. The following summarizes the computations of basic and diluted earnings per common share:

	<u>Years ended</u>	
	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Numerator for basic and diluted earnings per share:		
Net income	\$ 52,434,000	\$ 46,048,000
Payment of preferred stock dividends	(4,000)	(4,000)
Net income available to common stockholders	<u>\$ 52,430,000</u>	<u>\$ 46,044,000</u>
Weighted average shares used in computing basic net earnings per share:	33,584,326	33,578,100
Assumed conversion of restricted stock units	279,000	295,000
Assumed conversion of preferred stock	99,955	115,339
Weighted average shares used in computing diluted net earnings per share:	<u>33,963,281</u>	<u>33,988,439</u>
Earnings per common share attributable to common shareholders – basic	<u>\$ 1.56</u>	<u>\$ 1.37</u>
Earnings per common share attributable to common shareholders – diluted	<u>\$ 1.54</u>	<u>\$ 1.35</u>

6. Intangible Assets

The following is a summary of the carrying amount, accumulated amortization and the resulting net book value of intangible assets:

	<u>June 30, 2024</u>		
	Carrying amount	Accumulated amortization	Net book value
Customer lists	\$ 44,215,000	\$ 23,411,000	\$ 20,804,000
Trade name	3,931,000	3,735,000	196,000
Total intangible assets	<u>\$ 48,146,000</u>	<u>\$ 27,146,000</u>	<u>\$ 21,000,000</u>

	<u>June 30, 2023</u>		
	Carrying amount	Accumulated amortization	Net book value
Customer lists	\$ 44,215,000	\$ 20,940,000	\$ 23,275,000
Trade name	3,931,000	3,558,000	373,000
Total intangible assets	<u>\$ 48,146,000</u>	<u>\$ 24,498,000</u>	<u>\$ 23,648,000</u>

Intangible assets are amortized using the straight-line method over the estimated economic life of the asset which ranges from 5 to 15 years. Amortization expense for intangible assets for the years ended June 30, 2024 and June 30, 2023 was \$2,648,000 and \$2,647,000, respectively. Future estimated amortization expense for intangible assets is as follows:

Year ending June 30:	
2025	\$ 2,648,000
2026	2,319,000
2027	2,271,000
2028	2,271,000
2029	2,270,000
Thereafter	<u>9,221,000</u>
Total amortization expense	<u>\$ 21,000,000</u>

7. Director and Employee Stock Compensation Plans

Restricted Stock Unit Plan

During the fiscal year ended June 30, 2022, the Company established the 2022 Restricted Stock Unit Plan (the “RSU Plan”) and on April 15, 2022, awarded 280,000 restricted stock units (“RSUs”) to certain members of its senior management. During the Company’s 2023 fiscal year, an additional 20,000 RSUs were awarded for a total of 300,000 units issued to date.

These awards are subject to service-based vesting as well as a performance-based settlement condition. Service-based vesting occurs ratably over five years on each anniversary of the grant date, or immediately upon a change in control. The performance-based settlement condition is met based upon the Company achieving at least 85% of a cumulative 3-year target for its earnings before interest, taxes, depreciation and amortization (“EBITDA”). On June 28, 2023, the Company established the cumulative EBITDA target for the RSU Plan for the three-year period ending June 30, 2024. Therefore, the RSUs were considered granted on June 28, 2023, upon establishment of the performance condition, and the fair value of the grants was calculated as of that date. The performance-based settlement condition was met during the year ended June 30, 2024.

The Company measures the fair value of the award on the grant date and recognizes stock-based compensation expense ratably over the requisite service period, which is generally the vesting period. To determine the grant-date fair value of the Company's stock-based payment awards for restricted stock units, the Company uses the capitalized earnings method. The capitalized earnings method consists of calculating the value of the company by discounting future profits with a capitalization rate adjusted to the valuation date. For the fair value of the RSUs granted during the year ended June 30, 2023, the Company estimated its future earnings by using a weighted average of the past 4 years of earnings, weighted primarily on the past two years of earnings, a capitalization rate of 8.5% and a marketability discount of 15%. The Company recognizes forfeitures as they occur.

Settlement of the RSUs occurs upon the earlier of i) the 10th anniversary of the grant date, and ii) the effective date of a change in control as defined by the grant agreements. Upon settlement, each vested RSU eligible for settlement is exchanged for one share of common stock. Upon termination of the holder's service, any unvested RSUs are automatically forfeited to the Company for no consideration.

A summary of restricted stock unit activity during the years ended June 30, 2023 and 2024, respectively, and related information is included in the table below:

	Restricted Stock Units	Weighted- Average Grant Date Fair Value Per Share
Outstanding RSUs at July 1, 2022	—	\$ —
Granted	300,000	10.50
Forfeited	(5,000)	10.50
Outstanding RSUs at June 30, 2023	<u>295,000</u>	<u>\$ 10.50</u>
Vested RSUs at June 30, 2023	<u>55,000</u>	<u>\$ 10.50</u>
	Restricted Stock Units	Weighted- Average Grant Date Fair Value Per Share
Outstanding RSUs at July 1, 2023	295,000	\$ 10.50
Granted	—	—
Forfeited	(16,000)	\$ 10.50
Outstanding RSUs at June 30, 2024	<u>279,000</u>	<u>\$ 10.50</u>
Vested RSUs at June 30, 2024	<u>114,000</u>	<u>\$ 10.50</u>

Restricted stock units are not considered outstanding stock at the time of grant, as the holders of these units are not entitled to any of the rights of a stockholder, including voting rights.

The Company recorded stock-based compensation expense related to restricted stock units of \$490,000 and \$778,000 during the years ended June 30, 2024 and June 30, 2023, respectively. As of June 30, 2024, total compensation cost not yet recognized of \$1,660,000 related to non-vested awards is expected to be recognized over a weighted average period of 2.8 years.

8. Shares Reserved for Future Issuance

At June 30, 2024, the Company has reserved 1,249,955 shares of common stock for future issuance upon the conversion of Series D and Series E Stock and the vesting of restricted stock units.

9. Fair Value Measurements

Our balance sheets include non-financial assets and liabilities that are measured at fair value on a non-recurring basis. Fair value is the price that would be received from the sale of an asset or paid to transfer a liability assuming an orderly transaction in the most advantageous market at the measurement date. U.S. GAAP establishes a hierarchical disclosure framework which prioritizes and ranks the level of observability of inputs used in measuring fair value. These tiers include:

Level 1 – defined as observable inputs such as quoted prices in active markets for identical assets;

Level 2 – defined as observable inputs other than Level 1 prices such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

Level 3 – defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

An asset's or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. At each reporting period, we perform a detailed analysis of our assets and liabilities that are measured at fair value. All assets and liabilities for which the fair value measurement is based on significant unobservable inputs or instruments which trade infrequently and therefore have little or no price transparency are classified as Level 3.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The interest rate swap related to the Company's note payable is measured at fair value on a recurring basis based on valuations performed by Chase. The fair value is derived by discounting future cash flows of the swap to arrive at a current value of the swap. Future cash flows that are not certain (estimated using forward curves and volatility levels), along with future cash flows that are known with certainty, are discounted to their present value using discount factors derived from relevant market inputs. The netted value of these discounted future cash flows is the fair value of the swap. Changes in the fair value of the swap are recorded to gain (loss) on interest rate swap on the accompanying Consolidated Statement of Operations.

The following table sets forth by level within the fair value hierarchy, the Company's fair value measurements:

	<u>June 30, 2024</u>			
	Level 1	Level 2	Level 3	Total
Interest rate swap asset	\$ —	\$ 337,000	\$ —	\$ 337,000

	<u>June 30, 2023</u>			
	Level 1	Level 2	Level 3	Total
Interest rate swap asset	\$ —	\$ 722,000	\$ —	\$ 722,000

10. Income Taxes

The components of income before income taxes are as follows:

	Years ended	
	June 30, 2024	June 30, 2023
Domestic	\$ 58,324,000	\$ 56,135,000
Foreign	11,559,000	6,095,000
Total	<u>\$ 69,883,000</u>	<u>\$ 62,230,000</u>

The components of the income tax provision are as follows:

	Years ended	
	June 30, 2024	June 30, 2023
Federal	\$ 11,050,000	\$ 12,115,000
State	3,344,000	2,710,000
Foreign	3,055,000	1,357,000
Total	<u>\$ 17,449,000</u>	<u>\$ 16,182,000</u>

	Years ended	
	June 30, 2024	June 30, 2023
Current	\$ 16,929,000	\$ 17,661,000
Deferred	520,000	(1,479,000)
Total	<u>\$ 17,449,000</u>	<u>\$ 16,182,000</u>

Significant components of the Company's deferred tax assets and liabilities are as follows:

	Years ended	
	June 30, 2024	June 30, 2023
Deferred tax assets:		
Net operating loss carryforwards	\$ —	\$ 95,000
Accrued expenses	841,000	867,000
Expenses not currently deductible	124,000	78,000
Deferred revenue	915,000	503,000
Lease liability	597,000	816,000
Other assets	24,000	18,000
Total deferred tax assets	<u>2,501,000</u>	<u>2,377,000</u>
Deferred tax liabilities:		
Intangible assets	746,000	768,000
Excess of tax over book depreciation	351,000	383,000
Right of use asset	569,000	786,000
Section 481 adjustment – deferred revenue	915,000	—
Total deferred tax liabilities	<u>2,581,000</u>	<u>1,937,000</u>
Deferred tax assets, net of liabilities	\$ (80,000)	\$ 440,000
Valuation allowance	<u>—</u>	<u>—</u>
Net deferred tax asset (liability)	<u>\$ (80,000)</u>	<u>\$ 440,000</u>

As of June 30, 2023, the Company had U.S. federal net operating loss carryforwards available to reduce future taxable income of approximately \$95,000. For the tax year ended June 30, 2024, approximately \$95,000 of net operating loss carryforwards were utilized to offset taxable income. As of June 30, 2024, the company utilized all of the U.S. federal net operating loss carryforwards and therefore has no net operating losses to reduce future taxable income. The Company's effective tax rate differed from the statutory federal income tax rate due to State Income taxes, the effect of Foreign rate differential and the impact of payable true ups.

In addition, as of June 30, 2024, the Company has utilized all the foreign net operating loss carryforwards and therefore has no net operating losses to reduce future taxable income.

11. Leases

The Company has operating leases for real estate and certain equipment. Leases have remaining lease terms of less than 1 year to 5 years, some of which include options to extend the lease with renewal terms from 2 years to 5 years, and some of which include options to terminate the leases. Options to extend the lease are included in the lease liability if they are reasonably certain of being exercised. Options to terminate are considered in determining the lease liability if they are reasonably certain of being exercised. Payments under the Company's lease arrangements are primarily fixed, however, certain lease agreements contain variable payments, which are expensed as incurred and not included in the operating lease right-of-use assets and operating lease liabilities. The Company's leases do not contain residual value guarantees or material restrictive covenants. Short-term leases are recognized in the consolidated statement of operations on a straight-line basis over the lease term. Short-term lease expense was not material for the periods presented.

Operating lease right-of-use assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. These assets represent the amount of the lease liability, plus any lease payments made at or before the commencement date, less any lease incentives received.

The following table presents lease cost and other information for the year ended June 30, 2024:

Lease cost:	
Operating lease cost	\$ 1,484,000
Sublease income	<u>—</u>
Total lease cost	<u>\$ 1,484,000</u>
Other information:	
Weighted-average remaining lease term	2.1 years
Weighted-average discount rate	5%

The following table presents a reconciliation of the total amount of lease payments, on an undiscounted basis, to the lease liability in the accompanying consolidated balance sheet as of June 30, 2024:

Year ending June 30:	
2025	\$ 1,128,000
2026	772,000
2027	375,000
2028	170,000
2029	47,000
Total undiscounted cash flows	<u>\$ 2,492,000</u>
Present value:	
Current portion of lease liabilities	\$ 1,038,000
Long-term lease liabilities	1,279,000
Total lease liabilities	<u>\$ 2,317,000</u>
Difference between undiscounted cash flows and discounted cash flows	<u>\$ 175,000</u>

12. Commitments and Contingencies

Litigation

As of June 30, 2024 and June 30, 2023, the Company was not party to any material litigation.

Guarantees

In the normal course of business, the Company indemnifies certain third parties and enters into commitments and guarantees (“Agreements”) under which it may be required to make payments. These Agreements include indemnities to the following parties: lessors in connection with facility leases; customers in relation to the performance of services; vendors in connection with guarantees of expenses incurred by employees in the normal course of business; former employees in connection with their prior services as a director or officer of the Company or its subsidiary companies; vendors or principals in connection with performance under asset or share purchase and sale agreements and performance under credit facilities and other agreements of the Company’s subsidiaries. The duration of these Agreements varies, and in certain cases, is indefinite. In addition, the Company is party to a guarantee with its largest vendor, Autodesk, in relation to all of the Company’s subsidiaries’ obligations to Autodesk. The Company has recorded no accrued liability related to these Agreements, based on its historical experience and information known as of June 30, 2024.

13. Employee Benefit Plans

The Company has a defined contribution savings plan under Section 401(k) of the Internal Revenue Code (the “401(k) Plan”). The 401(k) Plan is a defined contribution plan, which covers substantially all U.S.-based employees of the Company, or its wholly-owned subsidiaries, who have completed three months of service. Participants may elect a pre-tax payroll deduction up to IRS maximums. As amended, the 401(k) Plan provides that the Company will match 100% of the participant salary deferrals up to 3% of a participant’s compensation and 50% of the next 2% of a participant’s compensation, or a total possible maximum matching contribution of 4% of a participant’s compensation, for all participants. The Company may also make discretionary profit-sharing contributions to the 401(k) Plan for all participants who are employed on the last day of the plan year but has not done so during the two years ended June 30, 2024.

The Company also has a retirement savings plan (“RSP”) that covers substantially all Canadian-based employees of the Company and its wholly-owned subsidiaries. Upon hire, participants may elect a pre-tax payroll deduction, subject to limitations as prescribed by the Canadian Revenue Agency. The RSP provides that the Company will match 100% of the participant salary deferrals up to 3% of a participant’s compensation and 50% of the next 2% of

a participant's compensation, for a total possible maximum matching contribution of 4% of a participant's compensation, for all participants who have completed 12 months of service.

The total amount recorded by the Company as expense, under both plans, during the years ended June 30, 2024 and June 30, 2023 was approximately \$2.2 million and \$2.3 million, respectively.

14. Significant Supplier

Approximately 93% and 95% of the Company's inventory purchases for the years ended June 30, 2024 and June 30, 2023, respectively, were from Autodesk and its distributors, and approximately 79% and 72% of accounts payable at June 30, 2024 and 2023, respectively, were due these parties. Approximately 92% and 94% of the Company's total product revenues for the years ended June 30, 2024 and June 30, 2023 are related to the sale of Autodesk products.

The Company is a party to a Value Added Reseller Agreement with Autodesk effective February 1, 2022. The agreement has a term of three years and designates the Company as an authorized reseller of Autodesk software and prescribes the authorized sales territories, authorized products and services, rebate and incentive program details and marketing support. The Company fully expects to execute another Agreement prior to the expiration of the current one.

15. Special Dividends

During the years ended June 30, 2024 and 2023, The Board of Directors of Rand Worldwide, Inc., declared and paid special dividends totaling approximately \$34 million and \$50 million, respectively.

16. Recent Developments

Effect of three year Autodesk subscriptions

A significant portion of revenues from the Company's IMAGINiT division are from the resale of Autodesk software subscriptions. From December 2018 through March 27, 2023, Autodesk offered incentives which included pricing advantages and 0% financing offers to customers who purchased three-year subscriptions rather than annual subscriptions. Many of its customers took advantage of those incentives thus boosting levels of three-year deals. Since Rand Worldwide Inc. has no material post-sale obligation on these subscriptions, the Company recognizes revenues for the entire subscription term at the time of sale. Beginning on March 28, 2023, the Company began offering annual installment billing arrangements to customers who purchase or renew licenses with multi-year terms. For the year ended June 30, 2024, the Company's revenues from three-year deals were approximately \$59.4 million higher than in the same period in the prior fiscal year. Following the expiration of the 0% financing, the Company's customers still purchased and renewed three-year subscriptions but at a lower rate.

Autodesk transition to an agency model

On June 10, 2024, Autodesk changed the way it processes and distributes most of its software products. Prior to June 10, 2024, Autodesk maintained relationships with distributors, and its channel partners, including IMAGINiT, were responsible for all elements of the sales process including the development and presentation of the sales proposal to the customer, the coordination of the fulfillment of the order with the distributor, the billing and collection of the order and the payment to Autodesk for the cost of the software. On June 10, 2024, Autodesk transitioned to an agency model for most of their software offerings. Under the agency model, we maintain our relationships with our customers, and when the sale of new software or a renewal of existing software subscription is made, we present to Autodesk the information required for the creation of a sales proposal whereon our responsibility for that sale ends. Autodesk then fulfills the order directly with the customer and is responsible for the billing and collection processes and pays us a commission based on the amount and types of software sold.

Prior to the June 10th adoption of the agency model, for most of the Autodesk software sold, we recorded the full sales price of software and the corresponding cost of that software in the accompanying Consolidated Statement of Operations. Beginning on June 11, 2024, because our responsibilities have changed, in accordance with generally

accepted accounting principles, we no longer report the full amount of the revenue and cost of revenue for the sale. For those products sold under the agency model, we simply report the commission that we received from Autodesk as revenue, with no corresponding cost of revenue.

Autodesk has indicated that this change will not have any material impact on the amount of the overall compensation that we receive as a channel partner for a sale of new software or a renewal of an existing software subscription. However, due to the required change in how we report revenues beginning for all affected sales after June 10, 2024, our reported revenues will be significantly lower, but our earnings should not be impacted by this accounting change. Had we recorded revenue for the entire month of June under the previous methodology, our total revenue would have been higher by approximately \$5.2 million.

17. Subsequent Events

Management has evaluated events and transactions through September 6, 2024, the date these financial statements were available for issuance, and has not identified any events that would require disclosure in the footnotes to the financial statements except as stated below.

The Company paid common stock dividends of \$8.4 million on August 19, 2024 to shareholders of record as of August 12, 2024.