



Rand Worldwide Inc. and Subsidiaries
Consolidated Financial Statements

For the years ended June 30, 2021 and 2020

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Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of Rand Worldwide, Inc. and Subsidiaries which comprise the consolidated balance sheets as of June 30, 2021 and 2020 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.

Management's Responsibility for the Consolidated Financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rand Worldwide, Inc. and Subsidiaries as of June 30, 2021 and 2020 and the results of their operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Dixon Hughes Goodman LLP

Tysons, VA
September 19, 2021

Rand Worldwide, Inc. and Subsidiaries
Consolidated Balance Sheets

	June 30,	
	2021	2020
Assets		
Current assets:		
Cash	\$ 1,613,000	\$ 25,696,000
Accounts receivable, less allowance of \$208,000 and \$177,000 in 2021 and 2020	30,706,000	26,000,000
Other receivables	618,000	909,000
Income tax receivable	105,000	—
Prepaid expenses and other current assets	2,157,000	1,237,000
Total current assets	<u>35,199,000</u>	<u>53,842,000</u>
Property and equipment:		
Computer software and equipment	3,679,000	3,406,000
Office furniture and equipment	1,563,000	1,541,000
Leasehold improvements	495,000	500,000
	<u>5,737,000</u>	<u>5,447,000</u>
Less: accumulated depreciation and amortization	<u>(4,538,000)</u>	<u>(4,163,000)</u>
	<u>1,199,000</u>	<u>1,284,000</u>
Customer lists, net of accumulated amortization of \$16,000,000 and \$13,530,000 in 2021 and 2020	28,192,000	30,662,000
Right-of-use assets	4,777,000	3,944,000
Goodwill	16,540,000	16,415,000
Trade name, net of accumulated amortization of \$3,205,000 and \$3,027,000 in 2021 and 2020	726,000	904,000
Deferred income taxes	550,000	1,650,000
Other assets	<u>131,000</u>	<u>149,000</u>
Total assets	<u><u>\$ 87,314,000</u></u>	<u><u>\$ 108,850,000</u></u>

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

	June 30,	
	2021	2020
Liabilities and stockholders' equity		
Current liabilities:		
Borrowings under line of credit	\$ 1,160,000	\$ —
Current portion of note payable, net	7,600,000	4,400,000
Accounts payable and accrued expenses	20,943,000	26,712,000
Accrued compensation and related benefits	5,440,000	4,346,000
Deferred revenue	10,148,000	7,219,000
Income tax payable	—	788,000
Current portion of lease liabilities	1,583,000	1,697,000
Total current liabilities	<u>46,874,000</u>	<u>45,162,000</u>
Long-term liabilities:		
Note payable, net	30,274,000	8,855,000
Accounts payable, long-term	766,000	531,000
Lease liabilities	3,286,000	2,422,000
Total liabilities	<u>81,200,000</u>	<u>56,970,000</u>
 Series G Junior Preferred Stock	 11,000	 357,000
Stockholders' equity:		
Convertible preferred stock (see Footnote 4)	—	1,000
Common stock, \$0.01 par value; 40,000,000 shares authorized; issued and outstanding shares of 33,561,433 and 32,238,645 at June 30, 2021 and June 30, 2020, respectively	 336,000	 322,000
Additional paid-in capital	5,776,000	35,565,000
Retained earnings	—	16,113,000
Accumulated other comprehensive loss	(9,000)	(478,000)
Total stockholders' equity	<u>6,103,000</u>	<u>51,523,000</u>
 Total liabilities and stockholders' equity	 <u>\$ 87,314,000</u>	 <u>\$ 108,850,000</u>

See accompanying notes.

Rand Worldwide, Inc. and Subsidiaries
Consolidated Statements of Income

	Years ended	
	June 30, 2021	June 30, 2020
Revenues:		
Product sales	\$ 218,172,000	\$ 233,538,000
Service revenue	29,624,000	29,585,000
Commission revenue	9,589,000	17,899,000
Total revenues	<u>257,385,000</u>	<u>281,022,000</u>
Cost of revenues:		
Cost of product sales	156,077,000	173,409,000
Cost of service revenue	20,437,000	20,425,000
Total cost of revenues	<u>176,514,000</u>	<u>193,834,000</u>
Gross margin	<u>80,871,000</u>	<u>87,188,000</u>
Operating expenses:		
Selling, general and administrative	48,065,000	50,567,000
Depreciation and amortization	3,252,000	3,267,000
Total operating expenses	<u>51,317,000</u>	<u>53,834,000</u>
Operating income	<u>29,554,000</u>	<u>33,354,000</u>
Other expense:		
Interest expense	330,000	677,000
Currency exchange losses (gains)	278,000	(32,000)
Other expense	—	98,000
	<u>608,000</u>	<u>743,000</u>
Income before income taxes	28,946,000	32,611,000
Income tax expense	8,104,000	9,220,000
Net income	<u>20,842,000</u>	<u>23,391,000</u>
Preferred stock dividends	(5,000)	(26,000)
Net income available to common stockholders	<u>\$ 20,837,000</u>	<u>\$ 23,365,000</u>
Earnings per common share attributable to common shareholders – basic	<u>\$ 0.63</u>	<u>\$ 0.73</u>
Earnings per common share attributable to common shareholders – diluted	<u>\$ 0.62</u>	<u>\$ 0.71</u>
Shares used for computing income per common share:		
Weighted average shares used in computation - basic	33,288,036	31,790,489
Weighted average shares used in computation - diluted	33,417,342	33,044,729

See accompanying notes.

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

	Years ended	
	June 30, 2021	June 30, 2020
Net income	\$ 20,842,000	\$ 23,391,000
Other comprehensive income, net of tax:		
Net change in cumulative foreign currency translation gain (loss)	469,000	(193,000)
Comprehensive income	<u>\$ 21,311,000</u>	<u>\$ 23,198,000</u>

See accompanying notes.

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

	<u>Convertible Preferred Stock</u>		<u>Common Stock</u>					
	Number of	Par Value	Number of	Par Value	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
	Shares		Shares					
Balance at July 1, 2019	208,338	\$ 2,000	31,457,462	\$ 315,000	\$ 35,426,000	\$ 719,000	\$ (285,000)	\$ 36,177,000
Issuance of common stock upon the conversion of preferred stock	(81,568)	(1,000)	393,743	4,000	(3,000)	—	—	—
Issuance of common stock upon the conversion of Series G preferred stock	—	—	387,440	3,000	142,000	—	—	145,000
Common stock dividends	—	—	—	—	—	(7,971,000)	—	(7,971,000)
Preferred stock dividends	—	—	—	—	—	(26,000)	—	(26,000)
Foreign currency translation adjustment	—	—	—	—	—	—	(193,000)	(193,000)
Net income	—	—	—	—	—	23,391,000	—	23,391,000
Balance at June 30, 2020	126,770	\$ 1,000	32,238,645	\$ 322,000	\$ 35,565,000	\$ 16,113,000	\$ (478,000)	\$ 51,523,000

See accompanying notes.

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

	<u>Convertible Preferred Stock</u>		<u>Common Stock</u>					
	Number of	Par Value	Number of	Par Value	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares		Shares					
Balance at July 1, 2020	126,770	\$ 1,000	32,238,645	\$ 322,000	\$ 35,565,000	\$ 16,113,000	\$ (478,000)	\$ 51,523,000
Issuance of common stock upon the conversion of preferred stock	(84,500)	(1,000)	169,141	2,000	(1,000)	—	—	—
Issuance of common stock upon the conversion of Series G preferred stock	—	—	1,153,647	12,000	343,000	—	—	355,000
Common stock dividends	—	—	—	—	(30,130,000)	(36,951,000)	—	(67,081,000)
Preferred stock dividends	—	—	—	—	(1,000)	(4,000)	—	(5,000)
Foreign currency translation adjustment	—	—	—	—	—	—	469,000	469,000
Net income	—	—	—	—	—	20,842,000	—	20,842,000
Balance at June 30, 2021	42,270	\$ —	33,561,433	\$ 336,000	\$ 5,776,000	\$ —	\$ (9,000)	\$ 6,103,000

See accompanying notes.

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

	Years ended	
	June 30, 2021	June 30, 2020
Cash flows from operating activities		
Net income	\$ 20,842,000	\$ 23,391,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on disposal of fixed assets	5,000	26,000
Bad debt expense	320,000	318,000
Depreciation and amortization	3,252,000	3,267,000
Stock-based compensation	9,000	13,000
Deferred income taxes	1,100,000	1,199,000
Changes in operating assets and liabilities:		
Accounts receivable and other receivables	(4,735,000)	4,536,000
Income tax receivable	(105,000)	(54,000)
Prepaid expenses and other current assets	(901,000)	(321,000)
Other assets	18,000	25,000
Accounts payable and accrued expenses	(5,852,000)	5,474,000
Accrued compensation and related benefits	1,329,000	1,607,000
Deferred revenue	2,929,000	1,517,000
Income taxes payable	(788,000)	—
Net cash provided by operating activities	17,423,000	40,998,000
Cash flows from investing activities		
Purchases of property and equipment	(521,000)	(499,000)
Net cash used in investing activities	(521,000)	(499,000)
Cash flows from financing activities		
Proceeds from borrowings under line of credit	2,463,000	16,258,000
Repayment of borrowings under line of credit	(1,303,000)	(17,219,000)
Proceeds from borrowings under note payable	38,000,000	—
Repayment of borrowings under note payable	(13,400,000)	(6,400,000)
Payment of common stock dividends	(67,081,000)	(7,971,000)
Payment of preferred stock dividends	(5,000)	(26,000)
Net cash used in financing activities	(41,326,000)	(15,358,000)
Effect of exchange rate changes on cash	341,000	(134,000)
Net change in cash	(24,083,000)	25,007,000
Cash - beginning of year	25,696,000	689,000
Cash - end of year	\$ 1,613,000	\$ 25,696,000

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 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 engineering 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. 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, 2021 and June 30, 2020 was \$604,000 and \$621,000, respectively.

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. The Company accounts for goodwill in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 350, *Goodwill and Other Intangible Assets*. Under ASC 350, 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 change in the carrying amount of goodwill during the years ended June 30, 2021 and 2020 is as follows:

Balance as of July 1, 2019	\$ 16,467,000
Effect of foreign currency translation	(52,000)
Balance as of June 30, 2020	16,415,000
Effect of foreign currency translation	125,000
Balance as of June 30, 2021	\$ 16,540,000

Revenue Recognition and Accounts Receivable

The Company recognizes revenue when, or as, 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 support services, which are recognized over the period of support purchased, and totaled \$8.9 million and \$7.6 million for the years ended June 30, 2021 and 2020, respectively. Revenue recognized at a point in time includes substantially all other revenue categories..

Product Sales

The products that the Company sells can be delivered to customers in a variety of ways, including (i) as a physical product shipment, (ii) via drop-shipment by the vendor or supplier or (iii) via electronic delivery of keys for software licenses. The Company does not require collateral for accounts receivable. The Company 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.

The Company recognizes revenue from the resale of perpetual as well as term-based software licenses, hardware and training materials when control has passed to the customer, which is usually upon shipment of the products to the customer. Revenues from most software license sales are recognized as a single performance obligation on a gross basis as the Company is acting as a principal in these transactions at the point the software license is delivered to the customer. The Company recognizes revenue from the sale of its own intellectual property either upon delivery of a perpetual software license, or in the case of term-based licenses, over the term of the license.

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

Fees earned from the resale of Autodesk's software maintenance agreements and its cloud-hosted subscriptions are reported as commission revenue and presented net of their related costs. For these transactions, the Company considers Autodesk to be the principal in the arrangement as Autodesk has the responsibility of providing the end customer all the deliverables under the contract, including software upgrades and various support services. As a result, the Company assumes an agency relationship in these transactions, and recognizes the net fee associated with serving as an agent in revenue.

Commissions revenue also includes referral fees paid by Autodesk and other vendors for major account and government customer transactions, determined based on specified percentages of the gross sale amount to the referred customer. These referral fees are recorded as revenue in the period earned, based on reporting by Autodesk, and are typically settled within ten days following the end of the reporting period.

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 product revenue 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 service revenue 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.

Allowance for Doubtful Accounts

The Company uses estimates to determine the amount of the allowance for doubtful accounts 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 bad debt 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 doubtful accounts.

Cost of Product Sales

Cost of product sales consists of the cost of purchasing products from software suppliers or hardware manufacturers. The Company earns a volume-based rebate from its primary supplier, Autodesk, paid monthly as a percentage of qualifying purchases. The rebate percentage is established based on the level of new product and maintenance purchases as measured against quarterly targets developed by Autodesk and rebates serve to reduce the cost of product sales which the Company accrues in the month in which the underlying sales are posted. The Company has generally been able to focus its sales efforts in a manner to achieve margins on its product sales that are within a relatively narrow range from period to period.

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 operations. Advertising expenses, net of reimbursements from suppliers, were approximately \$227,000 and \$145,000 for the years ended June 30, 2021 and June 30, 2020, 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, is 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, 2021 and June 30, 2020, realized currency transaction losses of \$14,000 and gains of \$32,000, respectively, were recorded in the consolidated statements of income.

Reclassifications

Certain prior year financial statement amounts have been reclassified to conform to the current year presentation.

2. Supplemental Disclosure of Cash Flow Information

The Company paid interest of approximately \$282,000 and \$700,000, and federal and state income taxes of approximately \$7.5 million and \$8.3 million, respectively, for the years ended June 30, 2021 and June 30, 2020.

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 interest rate on the line of credit is the one-month LIBOR rate plus a margin of 1.5%. 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, and interest paid quarterly based on one-month LIBOR rate plus a margin of 1.5%. Proceeds of the \$38 million term note were used to refinance the \$9 million of outstanding loans to Chase and to fund \$29 million of the total \$33.6 million common stock dividend paid on June 28, 2021 to stockholders of record as of June 21, 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, 2021 and June 30, 2020.

The Company had \$1.2 million outstanding borrowings and no outstanding borrowings from Chase under its line of credit as of June 30, 2021 and June 30, 2020, respectively.

Long-term debt consists of the following as of June 30, 2021 and 2020:

	June 30	
	2021	2020
Principal amount	\$ 38,000,000	\$ 13,400,000
Less: unamortized debt issuance costs	(126,000)	(145,000)
Less: current portion of note payable	(7,600,000)	(4,400,000)
Note payable, net	<u>\$ 30,274,000</u>	<u>\$ 8,855,000</u>

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

Year ending June 30:	
2022	\$ 7,600,000
2023	7,600,000
2024	7,600,000
2025	7,600,000
2026	7,600,000
Total payments	<u>\$ 38,000,000</u>

4. Preferred Stock

The Company's preferred stock included in the equity section of the accompanying consolidated balance sheets consists of the following as of June 30, 2021 and 2020:

	June 30	
	2021	2020
Series D Convertible Preferred Stock, \$0.01 par value; 1,297,537 shares authorized and issued; and 42,250 shares and 126,750 shares outstanding at June 30, 2021 and 2020, respectively; aggregate liquidation preference of \$25,000 and \$76,000 at June 30, 2021 and 2020, respectively	\$ —	\$ 1,000
Series E Convertible Preferred Stock, \$0.01 par value; 3,000 shares authorized; 1,191 shares issued; 20 shares outstanding at June 30, 2021 and 2020; aggregate liquidation preference of \$20,000 at June 30, 2021 and 2020	—	—
Total Preferred Stock	<u>\$ —</u>	<u>\$ 1,000</u>

Convertible Preferred Stock

In 2004, the Company issued 813,050 shares of Series D Convertible Preferred Stock for cash proceeds totaling \$330,000 and a reduction in notes payable to a related party of \$98,000. Series D Convertible Preferred Stock include the following terms:

Redemption Feature- The Series D shares 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 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.

Voting Rights- Each holder of the Series D shares 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 Series D shares 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, 2021, the conversion rate would yield approximately two shares of common stock for each share of Series D share; however, this rate 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 Series D shares.

Liquidation Preference- In the event of a liquidation, dissolution or winding up of the Company, the holders of Series D 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 per share 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.

During the year ended June 30, 2021, shareholders converted 84,500 shares of Series D Convertible Preferred Stock into common stock, resulting in 169,141 shares of common stock issued upon conversion.

In July 2005, the Company issued 1,191 shares of Series E Convertible Preferred Stock which raised \$1,191,000 for working capital purposes. Series E Convertible Preferred Stock (the “Series E shares”) include the following terms:

Redemption Feature- The Series E shares 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 is \$0.65 per share (upon conversion) 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 Series E shares 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 Series E shares 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 E shares are convertible at any time beginning 120 days after the original issuance date at the option of the holder and automatically converts 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 E 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, 2021, the conversion rate would yield 1,538 shares of common stock for each share of Series E; however, this rate may be adjusted due to stock splits, dividends, and other events defined in the stock purchase agreements between the Company and the holders of the Series E shares.

Liquidation Preference- In the event of a liquidation, dissolution or winding up of the Company, the holders of 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 \$0.65 per share (upon conversion) 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. Series G Junior Preferred Stock

During the year ended June 30, 2016, the Company designated 2,000,000 shares of Series G Junior Preferred Stock ("Series G") as part of a long-term incentive plan for its senior management team. During the year ended June 30, 2018, the Company designated an additional 300,000 shares of the Series G, bringing the total designated shares to 2,300,000 as of June 30, 2018. As of June 30, 2021 and 2020, 16,666 shares and 1,393,333 shares, respectively, of Series G were outstanding. The Series G stock has the following terms:

Vesting- The stock vests ratably over three years, one third each year from the date issued, so long as each Series G stockholder continues their employment with the Company or continues to serve on its Board of Directors. Vesting is accelerated upon a liquidation event in which a majority ownership is transacted in a stock sale, asset sale or merger. As of June 30, 2021 and 2020, 16,666 and 1,366,000 were vested, respectively.

Share valuation- The Series G shares are convertible to shares of common stock at future dates based upon the growth in the value of the Company's common stock in excess of an assumed annual 8% hurdle rate. The Board of Directors determines, and reports in an annual valuation notice to each Series G holder, the per share value of the Series G stock, the conversion ratio which the Series G shares may be converted to common stock, and, when applicable as described below, the put option value. Should a liquidation event occur, as defined in the Series G Certificate of Designations, the common stock and the Series G value will be based on the amount paid or distributed to the holders of capital stock of the Company upon such a liquidation event.

Conversion rights- Following each fiscal year ended through June 30, 2022, each Series G holder may elect to convert their vested shares into common stock based on the ratio of Series G share value to common stock per share value as determined by the Board of Directors and reported to the holders in the annual valuation notice.

Put option- Following the fiscal years ending June 30, 2018, 2020 and 2022, each holder of Series G will have the option to require the Company to redeem all of the holder's shares of Series G stock, payable in three equal installments with the first payment made the month after the put exercise, and the next two payments one and two years thereafter. The put option value will be determined by the Board of Directors based on an earnings multiple applied to its trailing 12 months earnings before interest, taxes depreciation and amortization. The put option value will be reported within the annual valuation notice for the periods which the put option is available.

Redemption feature- The Company will have the right, but not the obligation, to redeem the Series G stock at any time after June 30, 2023 for a value that is based upon the growth in the value of the Company's common stock in excess of an assumed annual 8% hurdle rate.

Voting rights- Other than for the election of directors, each holder of outstanding shares of Series G stock is entitled to cast one vote for each whole share of Series G stock held.

Liquidation rights- In the event of a liquidation, dissolution or winding up of the Company, the holders of shares of common stock will be entitled payment of a preferred return, which is equivalent to \$1.272 per share, plus a compound return of 8% per year, from August 1, 2015, before any payment will be made to the holders of the Series G shares. The holders of Series D and Series E Convertible Preferred stock, or any other securities with liquidation preferences senior to the common stock will also be paid their liquidation preference before any payment will be made to the holders of the Series G shares. After payment of all the preferential amounts to the holders of common and senior securities, the remaining assets available for distribution or payment to the Company's shareholders will be distributed among the holders of the shares of Series G and common stock (including holders of common stock issued upon conversion of Series D and E preferred stock), pro rata based on the number of shares held by each such shareholder.

As a result of the previously-described put option, the carrying value of the Series G Junior Preferred Stock is classified as temporary equity in the accompanying consolidated balance sheets as the terms of the issuance do not warrant classification as a liability nor as equity. The Series G shares have a \$0.01 par value and have no liquidation preference.

6. 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. As of June 30, 2021 and 2020, 129,306 and 1,254,240 shares of common stock were issuable upon the conversion of preferred stock. The following summarizes the computations of basic and diluted earnings per common share:

	Years ended	
	June 30, 2021	June 30, 2020
Numerator for basic and diluted earnings per share:		
Net income	\$ 20,842,000	\$ 23,391,000
Payment of preferred stock dividends	(5,000)	(26,000)
Net income available to common stockholders	\$ 20,837,000	\$ 23,365,000
Weighted average shares used in computing basic net earnings per share:	33,288,036	31,790,489
Assumed conversion of preferred stock	129,306	1,254,240
Weighted average shares used in computing diluted net earnings per share:	33,417,342	33,044,729
Earnings per common share attributable to common shareholders – basic	\$ 0.63	\$ 0.73
Earnings per common share attributable to common shareholders – diluted	\$ 0.62	\$ 0.71

7. Intangible Assets

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

	June 30, 2021		
	Carrying amount	Accumulated amortization	Net book value
Customer lists	\$ 44,192,000	\$ 16,000,000	\$ 28,192,000
Trade name	3,931,000	3,205,000	726,000
Total intangible assets	\$ 48,123,000	\$ 19,205,000	\$ 28,918,000

	June 30, 2020		
	Carrying amount	Accumulated amortization	Net book value
Customer lists	\$ 44,192,000	\$ 13,530,000	\$ 30,662,000
Trade name	3,931,000	3,027,000	904,000
Total intangible assets	\$ 48,123,000	\$ 16,557,000	\$ 31,566,000

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, 2021 and June 30, 2020 was \$2,648,000 and \$2,646,000, respectively. Future estimated amortization expense for intangible assets is as follows:

Year ending June 30:	
2022	\$ 2,646,000
2023	2,646,000
2024	2,646,000
2025	2,646,000
2026	2,318,000
Thereafter	16,016,000
Total amortization expense	<u>\$ 28,918,000</u>

8. Director and Employee Stock Compensation Plans

Series G Junior Preferred Stock

As described in Note 5, the Company issued 1,900,000 shares of Series G Junior Preferred Stock during the twelve months ended June 30, 2016 as part of a long-term incentive plan for its senior management. The grant-date fair value of the stock was \$0.25 per share or an aggregate value of \$475,000 for all shares granted, based on a market-based valuation performed by an independent appraiser. This issuance of stock was fully vested as of June 30, 2018.

In May 2018, the Company issued 50,000 shares of Series G Junior Preferred Stock with a grant-date fair value of \$0.74 per share or an aggregate value of \$37,000 for the shares granted. This stock grant vested ratably over three years and became fully vested on May 31, 2021.

The Company incurs compensation expense over the service period, and thus incurred \$9,000 and \$13,000 of share-based compensation associated with the Series G Junior Preferred Stock for the years ended June 30, 2021 and 2020, respectively. There will be no further share-based compensation for the currently outstanding Series G Junior Preferred Stock as the outstanding shares are fully vested.

During the year ended June 30, 2021, shareholders converted 1,376,667 shares of Series G Junior Preferred Stock into common stock, resulting in 1,153,647 shares of common stock issued upon conversion.

9. Shares Reserved for Future Issuance

At June 30, 2021, the Company has reserved 132,005 shares of common stock for future issuance upon the conversion of Series D, Series E, and Series G Stock.

10. 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 Non-Recurring Basis

We have no non-financial assets and liabilities that are measured at fair value on a recurring basis. Property and equipment, intangible assets and goodwill are measured at fair value on a non-recurring basis (upon impairment). The grant-date value of the Series G Junior Preferred Stock, which forms the basis of share-based compensation expense over the requisite service period, is measured at fair value on a non-recurring basis (at the date of the grant) based on an independent expert valuation. The Series G Junior Preferred Stock grant-date fair value measurement utilized a combination of valuation methods including applying multiples of current and weighted average EBITDA to those of peer group public companies, an analysis of the OTC Markets stock price, and an income-based valuation on discounted cash flow, and the results of the various methods were weighted into an average in arriving at the grant-date fair value.

11. Income Taxes

The components of income before income taxes are as follows:

	Years ended	
	June 30, 2021	June 30, 2020
Domestic	\$ 26,717,000	\$ 30,205,000
Foreign	2,229,000	2,406,000
Total	<u>\$ 28,946,000</u>	<u>\$ 32,611,000</u>

The components of the income tax provision are as follows:

	Years ended	
	June 30, 2021	June 30, 2020
Federal tax	\$ 6,492,000	\$ 7,704,000
State tax	1,612,000	1,516,000
Total	<u>\$ 8,104,000</u>	<u>\$ 9,220,000</u>

	Years ended	
	June 30, 2021	June 30, 2020
Current	\$ 6,677,000	\$ 8,023,000
Deferred	1,427,000	1,197,000
Total	<u>\$ 8,104,000</u>	<u>\$ 9,220,000</u>

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

	Years ended	
	June 30, 2021	June 30, 2020
Deferred tax assets:		
Net operating loss carryforwards	\$ 2,612,000	\$ 7,204,000
Accrued expenses	171,000	212,000
Expenses not currently deductible	55,000	47,000
Excess of book over tax depreciation	41,000	34,000
Other assets	36,000	2,000
Total deferred tax assets	2,915,000	7,499,000
Deferred tax liabilities:		
Intangible assets	784,000	742,000
Excess of tax over book depreciation	309,000	255,000
Total deferred tax liabilities	1,093,000	997,000
Deferred tax assets, net of liabilities	\$ 1,822,000	\$ 6,502,000
Valuation allowance	(1,272,000)	(4,852,000)
Net deferred tax asset	\$ 550,000	\$ 1,650,000

The Company's provision for income taxes resulted in effective tax rates attributable to income from continuing operations that varied from the statutory federal income tax rates, as summarized in the table below.

	Years ended	
	June 30, 2021	June 30, 2020
Expected federal income tax expense at statutory rates	\$ 6,069,000	\$ 6,848,000
Expenses not deductible for income tax purposes	55,000	69,000
Stock compensation expense	2,000	3,000
Global Intangible Low Tax income reported in US	279,000	292,000
State income taxes, net of federal benefit	1,331,000	1,508,000
Other	368,000	500,000
Income tax expense	\$ 8,104,000	\$ 9,220,000

As of June 30, 2021, the Company had U.S. federal net operating loss carryforwards available to reduce future taxable income of approximately \$7 million; however, \$6 million of these carryforwards were not recognized because they are subject to annual limitations under Internal Revenue Code Section 382 and are expected to expire before being utilized. For the tax year ended June 30, 2021, approximately \$560,000 of net operating loss carryforwards that will be utilized to offset taxable income. The balance of the U.S. net operating loss carryforwards will expire between 2022 and 2027.

In addition, as of June 30, 2021, the Company had foreign net operating loss carryforwards of approximately \$3.5 million available to reduce future taxable income. The balance of the foreign net operating losses will expire between 2031 and 2035.

12. 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 fixed. 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, 2021:

	Year ended June 30, 2021
Lease cost:	
Operating lease cost	\$ 2,025,000
Sublease income	(20,000)
Total lease cost	<u>\$ 2,005,000</u>
Other information:	
Weighted-average remaining lease term	3.5 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, 2021:

	Year ended June 30, 2021
Year ending June 30:	
2022	\$ 2,155,000
2023	1,703,000
2024	1,304,000
2025	748,000
2026	337,000
Thereafter	96,000
Total undiscounted cash flows	<u>\$ 6,343,000</u>
Present value:	
Current portion of lease liabilities	\$ 1,583,000
Long-term lease liabilities	3,286,000
Total lease liabilities	<u>\$ 4,869,000</u>
Difference between undiscounted cash flows and discounted cash flows	<u>\$ 1,474,000</u>

13. Commitments and Contingencies

Litigation

As of June 30, 2021 and June 30, 2020, 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, 2021.

14. 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, 2021.

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, 2021 and June 30, 2020 was approximately \$1.7 million for each year.

15. Significant Supplier

Approximately 95% and 96% of the Company's inventory purchases for the years ended June 30, 2021 and June 30, 2020, respectively, were from Autodesk and its distributors, and approximately 82% and 90% of accounts payable at June 30, 2021 and 2020, respectively, were due these parties. Approximately 93% and 95% of the Company's total product revenues for the years ended June 30, 2021 and June 30, 2020, respectively, are related to the sale of Autodesk products.

The Company is a party to a Value Added Reseller Agreement with Autodesk effective February 1, 2019. 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.

16. Special Dividends

During the year ended June 30, 2021, The Board of Directors of Rand Worldwide, Inc., declared special dividends with respect to the Company's common stock. The Company paid dividends totaling approximately \$67 million and \$8 million during the years ended June 30, 2021 and 2020, respectively.

17. Recent Developments

Effects of COVID-19

The Company is closely monitoring the impact of the outbreak of the COVID-19 virus and how it continues to impact its business. While COVID-19 did not appear to have a material impact on the Company's reported results for its fiscal year ended June 30, 2021, the Company has seen somewhat weaker business volumes and cannot predict the full extent of impacts that the virus may have on its future operations.

Effect of three year Autodesk subscriptions

A significant portion of revenues from our IMAGINiT division are from the resale of Autodesk software subscriptions. Since December of 2018, Autodesk has offered a pricing advantage to customers who bought three-year subscriptions rather than annual subscriptions, and many of our customers have taken advantage of this discount. Since Rand Worldwide Inc. has no material post-sale obligation on these subscriptions, we recognize revenues for the entire subscription term at the time of sale as we have determined the related performance obligation is complete at that time. For the years ended June 30, 2021, and 2020, the elevated level of multi-year subscriptions increased our revenues by \$55 million and \$83 million, respectively, over what we would have realized if our customers' historical purchase patterns continued. As a result, the Company's revenues are impacted in future years as those subscriptions that have been renewed for 3 years are not available for renewal for the following two years. Thus, despite maintaining consistently high renewal rates, the Company's overall revenues were lower in fiscal 2021 as compared with the prior year.

18. Subsequent Events

Management has evaluated events and transactions through September 19, 2021, 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.