

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.  
For the quarterly period ended September 30, 2023

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number 001-34941

**PARK CITY GROUP, INC. dba REPOSITRAK**  
(Exact name of small business issuer as specified in its charter)

Nevada  
(State or other jurisdiction of incorporation or organization)

37-1454128  
(IRS Employer Identification No.)

5282 South Commerce Drive, Suite D292 , Murray, Utah 84107  
(Address of principal executive offices)

(435) 645-2000  
(Registrant's telephone number)

**Securities registered pursuant to Section 12(b) of the Act:**

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common stock, par value \$0.01 per share	TRAK	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Sec.232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

As of November 14, 2023, 18,158,205 shares of the registrant's common stock, \$0.01 par value, were issued and outstanding.

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PARK CITY GROUP, INC.

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PART I

FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PARK CITY GROUP, INC.  
Consolidated Condensed Balance Sheets (Unaudited)

	September 30, 2023	June 30, 2023
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 23,697,228	\$ 23,990,879
Receivables, net of allowance for doubtful accounts of \$ 194,656 and \$170,103 at September 30, 2023 and June 30, 2023, respectively	3,022,038	2,523,019
Contract asset – unbilled current portion	160,749	186,959
Prepaid expense and other current assets	316,473	573,763
<b>Total Current Assets</b>	<b>27,196,488</b>	<b>27,274,620</b>
<b>Property and equipment, net</b>	<b>844,705</b>	<b>986,300</b>
<b>Other Assets:</b>		
Deposits and other assets	22,414	22,414
Prepaid expense – less current portion	21,147	36,282
Contract asset – unbilled long-term portion	108,052	108,052
Operating lease – right-of-use asset	295,967	310,796
Customer relationships	229,950	262,800
Goodwill	20,883,886	20,883,886
Capitalized software costs, net	619,866	698,281
<b>Total Other Assets</b>	<b>22,181,282</b>	<b>22,322,511</b>
<b>Total Assets</b>	<b>\$ 50,222,475</b>	<b>\$ 50,583,431</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 314,888	\$ 431,387
Accrued liabilities	1,608,640	1,620,000
Contract liability – deferred revenue	2,080,424	1,903,001
Operating lease liability – current	60,063	58,771
Notes payable and financing leases – current	214,926	219,262
<b>Total current liabilities</b>	<b>4,278,941</b>	<b>4,232,421</b>
<b>Long-term liabilities</b>		
Operating lease liability – less current portion	247,537	263,047
Notes payable and financing leases – less current portion	81,534	206,032
<b>Total liabilities</b>	<b>4,608,012</b>	<b>4,701,500</b>
<b>Commitments and contingencies</b>		
<b>Stockholders' equity:</b>		
Preferred Stock; \$0.01 par value, 30,000,000 shares authorized; Series B Preferred, 700,000 shares authorized; 625,375 shares issued and outstanding at September 30, 2023 and June 30, 2023;	6,254	6,254
Series B-1 Preferred, 550,000 shares authorized; 212,402 shares issued and outstanding at September 30, 2023 and June 30, 2023, respectively	2,124	2,124
Common Stock, \$0.01 par value, 50,000,000 shares authorized; 18,171,068 and 18,309,051 issued and outstanding at September 30, 2023 and June 30, 2023, respectively	181,713	183,093
Additional paid-in capital	66,507,428	67,732,887
Accumulated deficit	(21,083,056)	(22,042,427)
<b>Total stockholders' equity</b>	<b>45,614,463</b>	<b>45,881,931</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 50,222,475</b>	<b>\$ 50,583,431</b>

See accompanying notes to consolidated condensed financial statements.

**PARK CITY GROUP, INC.**  
**Consolidated Condensed Statements of Operations (Unaudited)**

	<b>Three Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>Revenue</b>	<b>\$ 5,060,112</b>	<b>\$ 4,720,477</b>
Operating expense:		
Cost of revenue and product support	766,334	832,704
Sales and marketing	1,505,501	1,200,259
General and administrative	1,279,323	1,223,462
Depreciation and amortization	308,945	236,006
Total operating expense	<u>3,860,103</u>	<u>3,492,431</u>
<b>Income from operations</b>	<b>1,200,009</b>	<b>1,228,046</b>
Other income (expense):		
Interest income	258,161	79,092
Interest expense	(6,344)	(24,652)
Unrealized gain (loss) on short term investments	27,186	(7,415)
Other gain (loss)	-	70,047
Income before income taxes	<u>1,479,012</u>	<u>1,345,118</u>
(Provision) for income taxes:	<u>(100,464)</u>	<u>(60,006)</u>
<b>Net income</b>	<b>1,378,548</b>	<b>1,285,112</b>
Dividends on preferred stock	<u>(146,611)</u>	<u>(146,611)</u>
<b>Net income applicable to common shareholders</b>	<b>\$ 1,231,937</b>	<b>\$ 1,138,501</b>
Weighted average shares, basic	<u>18,225,000</u>	<u>18,465,000</u>
Weighted average shares, diluted	<u>18,839,000</u>	<u>18,753,000</u>
Basic income per share	<u>\$ 0.07</u>	<u>\$ 0.06</u>
Diluted income per share	<u>\$ 0.07</u>	<u>\$ 0.06</u>

See accompanying notes to consolidated condensed financial statements.

**PARK CITY GROUP, INC.**  
**Consolidated Condensed Statements of Cash Flows (Unaudited)**

	<b>Three Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 1,378,548	\$ 1,285,112
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	308,945	236,006
Amortization of operating right of use asset	14,829	14,142
Stock compensation expense	85,375	111,046
Bad debt expense	75,000	150,000
(Increase) decrease in:		
Accounts receivables	(547,809)	(255,281)
Long-term receivables, prepaids and other assets	216,340	434,448
Increase (decrease) in:		
Accounts payable	(116,499)	(264,711)
Operating lease liability	(57,164)	(13,003)
Accrued liabilities	(14,218)	(58,182)
Deferred revenue	177,423	171,898
<b>Net cash provided by operating activities</b>	<b>1,520,770</b>	<b>1,811,475</b>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	-	(19,533)
<b>Net cash provided by (used in) investing activities</b>	<b>-</b>	<b>(19,533)</b>
<b>Cash flows from financing activities:</b>		
Net (decrease) increase in lines of credit	-	(1,294,317)
Common Stock buyback/retirement	(1,322,082)	(103,657)
Proceeds from employee stock plan	57,743	48,903
Dividends paid	(421,248)	(146,611)
Payments on notes payable and capital leases	(128,834)	(129,481)
<b>Net cash used in financing activities</b>	<b>(1,814,421)</b>	<b>(1,625,163)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(293,651)</b>	<b>166,779</b>
Cash and cash equivalents at beginning of period	23,990,879	21,460,948
<b>Cash and cash equivalents at end of period</b>	<b>\$ 23,697,228</b>	<b>\$ 21,627,727</b>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for income taxes	\$ 221,661	\$ 146,723
Cash paid for interest	\$ 2,329	\$ 24,653
Cash paid for operating leases	\$ 18,141	\$ 17,613
<b>Supplemental disclosure of non-cash investing and financing activities:</b>		
Common stock to pay accrued liabilities	\$ 37,500	\$ 76,873
Dividends accrued on preferred stock	\$ 146,611	\$ 146,611

See accompanying notes to consolidated condensed financial statements.

**PARK CITY GROUP, INC.**  
**Consolidated Statements of Stockholders' Equity (Deficit) (Unaudited)**

**Three Months Ended September 30, 2023**

	<b>Series B Preferred Stock</b>		<b>Series B-1 Preferred Stock</b>		<b>Common Stock</b>		<b>Additional Paid-In Capital</b>	<b>Accumulated Deficit</b>	<b>Total</b>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>			
Balance, June 30, 2023	625,375	\$ 6,254	212,402	\$ 2,124	18,309,051	\$ 183,093	\$67,732,887	\$ (22,042,427)	\$45,881,931
Stock issued for:									
Accrued compensation	-	-	-	-	3,716	37	37,463	-	37,500
Employee stock plan	-	-	-	-	13,326	133	57,610	-	57,743
Stock buyback	-	-	-	-	(155,025)	(1,550)	(1,320,532)	-	(1,322,082)
Preferred Dividends- Declared	-	-	-	-	-	-	-	(146,611)	(146,611)
Common Stock Dividends-Declared	-	-	-	-	-	-	-	(272,566)	(272,566)
Net income	-	-	-	-	-	-	-	1,378,548	1,378,548
Balance, September 30, 2023	<u>625,375</u>	<u>\$ 6,254</u>	<u>212,402</u>	<u>\$ 2,124</u>	<u>18,171,068</u>	<u>\$ 181,713</u>	<u>\$66,507,428</u>	<u>\$ (21,083,056)</u>	<u>\$45,614,463</u>

**Three Months Ended September 30, 2022**

	<b>Series B Preferred Stock</b>		<b>Series B-1 Preferred Stock</b>		<b>Common Stock</b>		<b>Additional Paid-In Capital</b>	<b>Accumulated Deficit</b>	<b>Total</b>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>			
Balance, June 30, 2022	625,375	\$ 6,254	212,402	\$ 2,124	18,460,538	\$ 184,608	\$68,653,361	\$ (25,943,287)	\$42,903,060
Stock issued for:									
Accrued compensation	-	-	-	-	15,603	156	76,717	-	76,873
Employee stock plan	-	-	-	-	13,064	131	48,772	-	48,903
Stock buyback	-	-	-	-	(20,859)	(209)	(103,448)	-	(103,657)
Preferred Dividends- Declared	-	-	-	-	-	-	-	(146,611)	(146,611)
Common Stock Dividends-Declared	-	-	-	-	-	-	-	(277,162)	(277,162)
Net income	-	-	-	-	-	-	-	1,285,112	1,285,112
Balance, September 30, 2022	<u>625,375</u>	<u>\$ 6,254</u>	<u>212,402</u>	<u>\$ 2,124</u>	<u>18,468,346</u>	<u>\$ 184,686</u>	<u>\$68,675,402</u>	<u>\$ (25,081,948)</u>	<u>\$43,786,518</u>

See accompanying notes to consolidated condensed financial statements.

**PARK CITY GROUP, INC.**  
**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**  
**(Unaudited)**

**NOTE 1. OVERVIEW OF OPERATIONS AND BASIS FOR PRESENTATION**

**Overview**

Park City Group, Inc. dba ReposiTrak, Inc., a Nevada corporation ("ReposiTrak", "Park City Group", "We", "us", "our" or the "Company") is a Software-as-a-Service ("SaaS") which operates a business-to-business ("B2B") e-commerce, compliance & traceability, and supply chain management platform that partners with retailers, wholesalers, distributors and their product suppliers to (a) help them manage specific programs, such as out-of-stock management and scan-based trading; (b) reduce risk in their supply chain by managing compliance documents and data; ensure compliance with new regulatory requirements supporting traceability; and (c) improve product ordering and forecasting in order to accelerate sales, control risks, and improve supply chain efficiencies.

The Company's services are grouped in three application suites:

1. **ReposiTrak Compliance Management** ("Compliance") solutions, which helps the Company's customers vet suppliers and reduce a company's potential regulatory, legal, and criminal risk from its supply chain partners by providing a way for them to ensure these suppliers are compliant with food safety regulations, such as the Food Safety Modernization Act of 2011 ("FSMA");
2. **ReposiTrak Traceability Network** ("Traceability or RTN"), which helps the Company's customers comply with federal regulatory requirements of traceability and provides the lowest cost, easiest to use way to manage the capture and sharing of key data elements ("KDEs") now required by Section 204d of FSMA 2011 as designated products move through the supply chain at each 'event' known as a 'critical tracking event' or "CTE", which includes tracking from farm to shelf; and
3. **ReposiTrak Supply Chain Solutions** ("Supply Chain"), which help the Company's customers to more efficiently manage various interactions with their suppliers. In other words, it provides customers with greater flexibility in sourcing products by enabling them to choose new suppliers and integrate them into their supply chain faster and more cost effectively, and it helps them to manage these relationships more efficiently, enhancing revenue while lowering working capital, labor costs and reducing waste.

The Company's services are delivered through proprietary software products designed, developed, marketed, and supported by the Company. These products provide visibility and facilitate improved business processes among all key constituents in the supply chain, starting with the retailer and moving backwards to suppliers and eventually to raw material providers.

The Company provides cloud-based applications and services that address e-commerce, supply chain, food safety, compliance and traceability activities. The principal customers for the Company's products are household name multi-store food retail chains and restaurants including their suppliers, branded food manufacturers, food wholesalers and distributors, and other food service businesses.

The Company has a hub and spoke business model. The Company is typically engaged by retailers and wholesalers ("Hubs"), which in turn require their suppliers ("Spokes") to utilize the Company's services.

The Company is incorporated in the State of Nevada and has three principal subsidiaries: PC Group, Inc., a Utah corporation (98.76% owned) ("PCG Utah"); Park City Group, Inc., a Delaware corporation (100% owned) ("PCG Delaware"); and ReposiTrak (100% owned) (PCG Utah, PCG Delaware, and ReposiTrak are, collectively, the "Subsidiaries"). All intercompany transactions and balances have been eliminated in the Company's consolidated financial statements, which contain the operating results of the operations. The Company has no business operations separate from the operations conducted through its Subsidiaries.

The Company's principal executive offices are located at 5282 South Commerce Drive, Suite D292, Murray, Utah 84107. Its telephone number is (435) 645-2000. Its website address is [www.repositrak.com](http://www.repositrak.com).

**Basis of Financial Statement Presentation**

The interim financial information of the Company as of September 30, 2023 and for the three months ended September 30, 2023 is unaudited, and the balance sheet as of June 30, 2023 is derived from audited financial statements. The accompanying condensed consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP") for interim financial statements. Accordingly, they omit or condense notes and certain other information normally included in financial statements prepared in accordance with U.S. GAAP. The accounting policies followed for quarterly financial reporting conform with the accounting policies disclosed in the Notes to Financial Statements included in our Annual Report on Form 10-K for the year ended June 30, 2023. In the opinion of management, all adjustments necessary for a fair presentation of the financial information for the interim periods reported have been made. All such adjustments are of a normal recurring nature. The results of operations for the three months ended September 30, 2023 are not necessarily indicative of the results that can be expected for the fiscal year ending June 30, 2024. The unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in our Annual Report on Form 10-K for the year ended June 30, 2023.

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

### Principles of Consolidation

The financial statements presented herein reflect the consolidated financial position of Park City Group, Inc. and our subsidiaries. All inter-company transactions and balances have been eliminated in consolidation.

### Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that materially affect the amounts reported in the consolidated financial statements. Actual results could differ from these estimates. The methods, estimates, and judgments the Company uses in applying its most critical accounting policies have a significant impact on the results it reports in its financial statements. The U.S. Securities and Exchange Commission ("SEC") has defined the most critical accounting policies as those that are most important to the portrayal of the Company's financial condition and results and require the Company to make its most difficult and subjective judgments, often because of the need to make estimates of matters that are inherently uncertain. Based on this definition, the Company's most critical accounting policies include revenue recognition, goodwill, other long-lived asset valuations, income taxes, stock-based compensation, and capitalization of software development costs.

### Revenue Recognition

The Company recognizes revenue as it transfers control of deliverables (products, solutions and services) to its customers in an amount reflecting the consideration to which it expects to be entitled. To recognize revenue, the Company applies the following five step approach: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when a performance obligation is satisfied. The Company accounts for a contract based on the terms and conditions the parties agree to, if the contract has commercial substance and if collectability of consideration is probable. The Company applies judgment in determining the customer's ability and intention to pay, which is based on a variety of factors including the customer's historical payment experience.

The Company may enter into arrangements that consist of multiple performance obligations. Such arrangements may include any combination of its deliverables. To the extent a contract includes multiple promised deliverables, the Company applies judgment to determine whether promised deliverables are capable of being distinct and are distinct in the context of the contract. If these criteria are not met, the promised deliverables are accounted for as a combined performance obligation. For arrangements with multiple distinct performance obligations, the Company allocates consideration among the performance obligations based on their relative standalone selling price. Standalone selling price is the price at which the Company would sell a promised good or service separately to the customer. When not directly observable, the Company typically estimates standalone selling price by using the expected cost plus a margin approach. The Company typically establishes a standalone selling price range for its deliverables, which is reassessed on a periodic basis or when facts and circumstances change.

For performance obligations where control is transferred over time, revenue is recognized based on the extent of progress towards completion of the performance obligation. The selection of the method to measure progress towards completion requires judgment and is based on the nature of the deliverables to be provided. Revenue related to fixed-price contracts for application development and systems integration services, consulting or other technology services is recognized as the service is performed using the output method, under which the total value of revenue is recognized based on each contract's deliverable(s) as they are completed and when value is transferred to a customer. Revenue related to fixed-price application maintenance, testing and business process services is recognized based on our right to invoice for services performed for contracts in which the invoicing is representative of the value being delivered, in accordance with the practical expedient in FASB ASC Topic 606, *Revenue from Contracts with Customers* ("Topic 606"), paragraph 606-10-55-18 ("ASC 606-10-55-18").

If the Company's invoicing is not consistent with the value delivered, revenue is recognized as the service is performed based on the method described above. The output method measures the results achieved and value transferred to a customer, which is updated as the project progresses to reflect the latest available information; such estimates and changes in estimates involve the use of judgment. The cumulative impact of any revision in estimates is reflected in the financial reporting period in which the change in estimate becomes known and any anticipated losses on contracts are recognized immediately. Revenue related to fixed-price hosting and infrastructure services is recognized based on the Company's right to invoice for services performed for contracts in which the invoicing is representative of the value being delivered, in accordance with the practical expedient in ASC 606-10-55-18. If the Company's invoicing is not consistent with value delivered, revenue is recognized on a straight-line basis unless revenue is earned and obligations are fulfilled in a different pattern. The revenue recognition method applied to the types of contracts described above provides the most faithful depiction of performance towards satisfaction of the Company's performance obligations.

Revenue related to the Company's software license arrangements that do not require significant modification or customization of the underlying software is recognized when the software is delivered as control is transferred at a point in time. For software license arrangements that require significant functionality enhancements or modification of the software, revenue for the software license and related services is recognized as the services are performed in accordance with the methods described above. In software hosting arrangements, the rights provided to the customer, such as ownership of a license, contract termination provisions and the feasibility of the client to operate the software, are considered in determining whether the arrangement includes a license or a service. Revenue related to software maintenance and support is generally recognized on a straight-line basis over the contract period.



Management expects that incremental commission fees paid as a result of obtaining a contract are recoverable and therefore the Company capitalized them as contract costs. The Company recognizes the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the asset that the Company otherwise would have recognized is one year or less.

Revenue related to transaction-based or volume-based contracts is recognized over the period the services are provided in a manner that corresponds with the value transferred to the customer to-date relative to the remaining services to be provided.

From time to time, the Company may enter into arrangements with third party suppliers to resell products or services. In such cases, the Company evaluates whether the Company is the principal (i.e., report revenue on a gross basis) or agent (i.e., report revenue on a net basis). In doing so, the Company first evaluates whether it controls the good or service before it is transferred to the customer. If the Company controls the good or service before it is transferred to the customer, the Company is the principal; if not, the Company is the agent. Determining whether the Company controls the good or service before it is transferred to the customer may require judgment.

The Company provides customers with assurance that the related deliverable will function as the parties intended because it complies with agreed-upon specifications. General updates or patch fixes are not considered an additional performance obligation in the contract.

Variable consideration is estimated using either the sum of probability weighted amounts in a range of possible consideration amounts (expected value), or the single most likely amount in a range of possible consideration amounts (most likely amount), depending on which method better predicts the amount of consideration to which we may be entitled. The Company includes in the transaction price variable consideration only to the extent it is probable that a significant reversal of revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. The Company's estimates of variable consideration and determination of whether to include estimated amounts in the transaction price may involve judgment and is based largely on an assessment of its anticipated performance and all information that is reasonably available to the Company.

The Company assesses the timing of the transfer of goods or services to the customer as compared to the timing of payments to determine whether a significant financing component exists. As a practical expedient, the Company does not assess the existence of a significant financing component when the difference between payment and transfer of deliverables is a year or less. If the difference in timing arises for reasons other than the provision of finance to either the customer or us, no financing component is deemed to exist. The primary purpose of the Company's invoicing terms is to provide customers with simplified and predictable ways of purchasing its services, not to receive or provide financing from or to customers. The Company does not consider set up or transition fees paid upfront by its customers to represent a financing component, as such fees are required to encourage customer commitment to the project and protect us from early termination of the contract.

#### Trade Accounts Receivable and Contract Balances

We classify our right to consideration in exchange for deliverables as either a receivable or a contract asset (unbilled receivable). A receivable is a right to consideration that is unconditional (i.e. only the passage of time is required before payment is due). For example, we recognize a receivable for revenue related to our transaction or volume-based contracts when earned regardless of whether amounts have been billed. We present such receivables in trade accounts receivable, net in our consolidated statements of financial position at their net estimated realizable value. We maintain an allowance for doubtful accounts to provide for the estimated amount of receivables that may not be collected. The allowance is based upon an assessment of customer creditworthiness, historical payment experience, the age of outstanding receivables, judgment, and other applicable factors.

A contract asset is a right to consideration that is conditional upon factors other than the passage of time. Contract assets are presented in current and other assets in our consolidated balance sheets and primarily relate to unbilled amounts on fixed-price contracts utilizing the output method of revenue recognition. The table below shows movements in contract assets:

	<b>Contract assets</b>
Balance – June 30, 2023	\$ 295,011
Revenue recognized during the period but not billed	-
Amounts reclassified to accounts receivable	(10,000)
Other	(16,210)
Balance – September 30, 2023	<u>\$ 268,801</u> <sup>(1)</sup>

(1) Contract asset balances for September 30, 2023 include a current and a long-term contract asset of \$ 160,749 and \$108,052, respectively.

Our contract assets and liabilities are reported at the end of each reporting period. The difference between the opening and closing balances of our contract assets and deferred revenue primarily results from the timing difference between our performance obligations and the customer's payment. We receive payments from customers based on the terms established in our contracts, which may vary generally by contract type.

The table below shows movements in the deferred revenue balances (current and noncurrent) for the period:

	<b>Contract liability</b>
Balance – June 30, 2023	\$ 1,903,001
Amounts billed but not recognized as revenue	537,630
Revenue recognized related to the opening balance of deferred revenue	(360,207)
Balance – September 30, 2023	<u>\$ 2,080,424</u>

Our contract assets and liabilities are reported in a net position on a contract-by-contract basis at the end of each reporting period. The difference between the opening and closing balances of our contract assets and deferred revenue primarily results from the timing difference between our performance obligations and the customer's payment. We receive payments from customers based on the terms established in our contracts, which may vary generally by contract type.

#### Disaggregation of Revenue

The table below presents disaggregated revenue from contracts with customers by contract-type. We believe this disaggregation best depicts the nature, amount, timing and uncertainty of our revenue and cash flows that may be affected by industry, market, and other economic factors:

	<b>Three Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
Recurring revenue— subscription and support services	\$ 5,046,685	\$ 4,677,977
Non-recurring revenue – setup and training services	13,427	42,500
Total	<u>\$ 5,060,112</u>	<u>\$ 4,720,477</u>

#### Earnings Per Share

Basic net income per share of Common Stock ("Basic EPS") excludes dilution and is computed by dividing net income applicable to Common Stockholders by the weighted average number of Common Stock outstanding during the period. Diluted net income per share of Common Stock ("Diluted EPS") reflects the potential dilution that could occur if stock options or other contracts to issue shares of Common Stock were exercised or converted into Common Stock. The computation of Diluted EPS does not assume exercise or conversion of securities that would have an antidilutive effect on net income per share of Common Stock.

For the three months ended September 30, 2023 and 2022, warrants to purchase 23,737 shares of our Common Stock at an exercise price of \$10.00 per share were anti-dilutive and not included in the computation of diluted earnings per share because the exercise price of the options was greater than the average price of Common Stock for the quarter.

The following table presents the components of the computation of basic and diluted earnings per share for the periods indicated:

	<b>Three Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>Numerator</b>		
Net income applicable to common shareholders	\$ 1,231,937	\$ 1,138,501
<b>Denominator</b>		
Weighted average common shares outstanding, basic	18,225,000	18,465,000
Warrants to purchase Common Stock	614,000	288,000
Weighted average common shares outstanding, diluted	<u>18,839,000</u>	<u>18,753,000</u>
<b>Net income per share</b>		
Basic	\$ 0.07	\$ 0.06
Diluted	\$ 0.07	\$ 0.06

## Reclassifications

Certain prior year amounts have been reclassified to conform with the current year's presentation. These reclassifications have no impact on the previously reported results.

## NOTE 3. EQUITY

Restricted Stock Units	Restricted Stock Units	Weighted Average Grant Date Fair Value (\$/share)
Outstanding at June 30, 2023	907,451	\$ 5.30
Granted	13,010	9.99
Vested and issued	-	-
Forfeited	-	-
Outstanding at September 30, 2023	920,461	\$ 5.36

As of September 30, 2023, there were 40,004 restricted stock units outstanding that had vested but for which shares of Common Stock had not yet been issued pursuant to the terms of the applicable agreement.

As of September 30, 2023, there was approximately \$ 4.9 million of unrecognized stock-based compensation obligations under our equity compensation plans. The stock-based compensation obligation is in connection with certain employment agreements which have a deferral option at the Board's discretion. At the end of the deferral period, the stock-based compensation expense associated with the obligation is expected to be recognized on a straight-line basis over a period of three years.

## Warrants

Outstanding warrants were issued in connection with private placements of the Company's Common Stock and with the restructuring of the Series B Preferred that occurred in March of 2018. The following table summarizes information about fixed stock warrants outstanding at September 30, 2023:

Warrants Outstanding at September 30, 2023			Warrants Exercisable at September 30, 2023		
Range of exercise prices	Number Outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$ 4.00	1,085,068	2.35	\$ 4.00	1,085,068	\$ 4.00
\$ 10.00	23,737	2.32	\$ 10.00	23,737	\$ 10.00
	<u>1,108,805</u>	2.35	\$ 4.13	<u>1,108,805</u>	\$ 4.13

During the quarter ended March 31, 2023, the Company's Board of Directors approved the modification to extend the expiration dates of the Company's existing January 26, 2023 and February 5, 2023 warrants by an additional three years. Accordingly, all the Company's outstanding warrants have been extended and are anticipated to expire or be exercised on or before the quarter ending March 31, 2026.

## Preferred Stock

The Company's articles of incorporation currently authorize the issuance of up to 30,000,000 shares of 'blank check' preferred stock, par value \$0.01 ("Preferred Stock"), with designations, rights, and preferences as may be determined from time to time by the Company's Board of Directors, of which 700,000 shares are currently designated as Series B Preferred Stock ("Series B Preferred") and 550,000 shares are designated as Series B-1 Preferred Stock ("Series B-1 Preferred"). Both classes of Series B Preferred Stock pay dividends at a rate of 7% per annum if paid by the Company in cash, or 9% if paid by the Company by the issuance of additional shares of Series B-1 Preferred, or Series B-1 Preferred, as applicable.

## Preferred Redemption

Section 4 of the Company's First Amended and Restated Certificate of Designation of the Relative Rights, Powers and Preferences of the Series B-1 Preferred Stock, as amended (the "*Series B-1 COD*") provides the Company's Board of Directors with the right to redeem any or all of the outstanding shares of the Company's Series B-1 Preferred for a cash payment of \$10.70 per share at any time upon providing the holders of Series B-1 Preferred at least ten days written notice that sets forth the date on which the redemption will occur (the "*Redemption Notice*").

On August 29, 2023, the Board approved the redemption and retirement of its Series B Preferred and Series B-1 Preferred for their stated value, or \$10.70 for each share of Preferred Stock, resulting in an aggregate purchase price of \$8,964,214 (the "*Preferred Redemption*"). The Preferred Redemption is to occur over the next three years.

As of September 30, 2023, a total of 625,375 shares of Series B Preferred and 212,402 shares of Series B-1 Preferred were issued and outstanding.

The following table provides information about the redemption of the Series B Preferred during the three months ended September 30, 2023:

Period (1)	Series B Preferred			
	Total Number of Shares Redeemed	Price Paid Per Share	Dollars Expended by Period under the Preferred Redemption	Remaining Amount Available for Future Preferred Redemption
July 1, 2023 – September 30, 2023:	-	\$ 10.70	\$ -	\$ 8,964,214

(1) We close our books and records on the last calendar day of each month to align our financial closing with our business processes.

The following table provides information about the redemption of the Series B-1 Preferred during the three months ended September 30, 2023:

Period (1)	Series B-1 Preferred			
	Total Number of Shares Redeemed	Price Paid Per Share	Dollars Expended by Period under the Preferred Redemption	Remaining Amount Available for Future Preferred Redemption
July 1, 2023 – September 30, 2023:	-	\$ 10.70	\$ -	\$ 8,964,214

(1) We close our books and records on the last calendar day of each month to align our financial closing with our business processes.

As of September 30, 2023, the Company had not redeemed or retired any shares of Series B Preferred or Series B-1 Preferred.

## Share Repurchase Program

On May 9, 2019, our Board of Directors approved the repurchase of up to \$ 4.0 million in shares of our Common Stock, which repurchases may be made in privately negotiated transactions or in the open market at prices per share not exceeding the then-current market prices (the "*Share Repurchase Program*"). Under the Share Repurchase Program, management has discretion to determine the dollar amount of shares to be repurchased and the timing of any repurchases in compliance with applicable laws and regulations, including Rule 10b-18 of the Exchange Act.

On March 17, 2020, the Board, given the extreme uncertainty due to COVID-19 at the time, suspended the Share Repurchase Program.

On May 18, 2021, our Board of Directors resumed its Share Repurchase Program, and increased the number of shares of Common Stock available to repurchase under the Share Repurchase Program by an additional \$4 million bringing the total number of Common Stock authorized to repurchase under the Share Repurchase Program to \$8.0 million.

On August 31, 2021, our Board of Directors approved a further increase to its Share Repurchase program to \$12.0 million in shares of our Common Stock which added an additional \$4 million to the Share Repurchase Program.

On May 10, 2022, our Board of Directors approved an increase of \$ 9.0 million in the number of shares of Common Stock available to repurchase under the Share Repurchase Program.

Since inception of the Share Repurchase Program through September 30, 2023, a total of \$ 21,000,000 in shares of Common Stock have been approved under the Share Repurchase Program, and 2,052,844 shares of Common Stock have been repurchased at an average purchase price of \$6.22, resulting in \$8,513,828 remaining available to repurchase under the current Share Repurchase Program. From time-to-time, our Board of Directors may authorize further increases to our Share Repurchase Program. In addition, the Share Repurchase Program may also be suspended for periods of time or discontinued at any time, at the Board's discretion.

The following table provides information about repurchases of our Common Stock registered pursuant to Section 12 of the Exchange Act, during the three months ended September 30, 2023:

Period (1)	Total Number of Shares Purchased	Average Price Paid Per Share	Dollars Expended by Period Under the Plans or Programs	Remaining Amount Available for Future Share Repurchases Under the Plans or Programs
July 1, 2023 – September 30, 2023:	155,025	\$ 8.53	\$ 1,322,082	\$ 8,513,828

(1) We close our books and records on the last calendar day of each month to align our financial closing with our business processes.

#### NOTE 4. RELATED PARTY TRANSACTIONS

During the three months ended September 30, 2023, the Company continued to be a party to a service agreement (the "Service Agreement") with Fields Management, Inc. ("FMI"), pursuant to which FMI provided certain executive management services to the Company, including designating Mr. Fields to perform the functions of President and Chief Executive Officer for the Company. Mr. Fields, FMI's designated executive, who also serves as the Company's Chair of the Board of Directors, controls FMI. The Company had no payables to FMI under the Service Agreement as of September 30, 2023 or September 30, 2022. During the three months ended September 30, 2023 and 2022, the Company paid FMI \$231,015 and \$231,015, respectively, in connection with the Service Agreement.

#### NOTE 5. RECENT ACCOUNTING PRONOUNCEMENTS

The Company has reviewed newly issued accounting pronouncements and concluded that they are either not applicable to its business or that no material effect is expected on its consolidated financial statements as a result of future adoption.

#### NOTE 6. SUBSEQUENT EVENTS

In accordance with the Subsequent Events Topic of the FASB ASC 855, we have evaluated subsequent events through the filing date and determined that no subsequent events occurred that were reasonably expected to impact the consolidated condensed financial statements presented herein.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Forward-Looking Statements

This Quarterly Report on Form 10-Q (this "Report") contains forward-looking statements. The words or phrases "would be", "will allow", "intends to", "will likely result", "are expected to", "will continue", "is anticipated", "estimate", "project", or similar expressions are intended to identify "forward-looking statements". Actual results could differ materially from those projected in the forward-looking statements as a result of a number of risks and uncertainties, including those risks factors contained in our June 30, 2023 Annual Report on Form 10-K, incorporated by reference herein. Statements made herein are as of the date of the filing of this Report with the Securities and Exchange Commission ("SEC") and should not be relied upon as of any subsequent date. Unless otherwise required by applicable law, we do not undertake, and specifically disclaim any obligation, to update any forward-looking statements to reflect occurrences, developments, unanticipated events or circumstances after the date of such statement.

### Overview

Park City Group, Inc. DBA ReposiTrak, Inc., a Nevada corporation ("ReposiTrak", "Park City Group", "We", "us", "our" or the "Company") is a Software-as-a-Service ("SaaS") which operates a business-to-business ("B2B") e-commerce, compliance & traceability, and supply chain management platform that partners with retailers, wholesalers, distributors and their product suppliers to (a) help them manage specific programs, such as out-of-stock management and scan-based trading; (b) reduce risk in their supply chain by managing compliance documents and data; ensure compliance with new regulatory requirements supporting traceability; and (c) improve product ordering and forecasting in order to accelerate sales, control risks, and improve supply chain efficiencies.

The Company's services are grouped in three application suites:

1. **ReposiTrak Compliance Management** ("Compliance") solutions, which helps the Company's customers vet suppliers and reduce a company's potential regulatory, legal, and criminal risk from its supply chain partners by providing a way for them to ensure these suppliers are compliant with food safety regulations, such as the Food Safety Modernization Act of 2011 ("FSMA");
2. **ReposiTrak Traceability Network** ("Traceability or RTN"), which helps the Company's customers comply with federal regulatory requirements of traceability and provides the lowest cost, easiest to use way to manage the capture and sharing of key data elements (KDEs) now required by Section 204d of FSMA 2011 as designated products move through the supply chain at each 'event' known as a 'critical tracking event' or "CTE", which includes tracking from farm to shelf; and
3. **ReposiTrak Supply Chain Solutions** ("Supply Chain"), which help the Company's customers to more efficiently manage various interactions with their suppliers. In other words, it provides customers with greater flexibility in sourcing products by enabling them to choose new suppliers and integrate them into their supply chain faster and more cost effectively, and it helps them to manage these relationships more efficiently, enhancing revenue while lowering working capital, labor costs and reducing waste.

The Company's services are delivered through proprietary software products designed, developed, marketed, and supported by the Company. These products provide visibility and facilitate improved business processes among all key constituents in the supply chain, starting with the retailer and moving backwards to suppliers and eventually to raw material providers.

The Company provides cloud-based applications and services that address e-commerce, supply chain, food safety, compliance, and traceability activities. The principal customers for the Company's products are household name multi-store food retail chains and restaurants including their suppliers, branded food manufacturers, food wholesalers and distributors, and other food service businesses.

The Company has a hub and spoke business model. The Company is typically engaged by retailers and wholesalers ("Hubs"), which in turn require their suppliers ("Spokes") to utilize the Company's services.

The Company is incorporated in the State of Nevada and has three principal subsidiaries: PC Group, Inc., a Utah corporation (98.76% owned) ("PCG Utah"); Park City Group, Inc., a Delaware corporation (100% owned) ("PCG Delaware"); and ReposiTrak (100% owned) (PCG Utah, PCG Delaware, and ReposiTrak are, collectively, the "Subsidiaries"). All intercompany transactions and balances have been eliminated in the Company's consolidated financial statements, which contain the operating results of the operations. The Company has no business operations separate from the operations conducted through its Subsidiaries.

The Company's principal executive offices are located at 5282 South Commerce Drive, Suite D292, Murray, Utah 84107. Its telephone number is (435) 645-2000. Its website address is [www.repositrak.com](http://www.repositrak.com).

### Recent Developments

#### Dividend Payment

On September 19, 2023, the Company's Board of Directors declared a quarterly cash dividend of \$0.015 per share (\$0.06 per year), payable to shareholders of record on September 29, 2023, which were paid to shareholders of record on or about November 1, 2023. Based on the closing prices on September 30, 2023, this represented an annual dividend yield of approximately 1.06%. Subsequent quarterly dividends will be paid within 45 days of each record date of December 31, 2023, March 31, 2024, and June 30, 2024,

### Redemption and Retirement of Preferred Stock

On September 12, 2023, the Company announced its plans to commence the redemption and retirement of its Series B Convertible Preferred Stock and Series B-1 Preferred Stock (together, the "*Preferred Stock*") for their stated value, or \$10.70 for each share of Preferred Stock, resulting in an aggregate purchase price of \$8,964,214 (the "*Preferred Redemption*"). The Preferred Redemption is to occur over the next three years from September 12, 2023. As of September 30, 2023, the Company had not redeemed or retired any Preferred Stock.

### Global Pandemics, Bank Failures, and Geopolitical Conflicts

The impact of global pandemics, including COVID 19, banking failures, geopolitical conflicts, including the war in Ukraine, creates much uncertainty in the global marketplace. Management continues to monitor the ongoing impact of these events on all aspects of its business, including how they impact its services, customers, employees, vendors, and business partners now and in the future. While these events did not materially adversely affect the Company's financial results and business operations in the year ended June 30, 2023 and the fiscal quarter ended September 30, 2023, we are unable to predict the impact that these events, including geopolitical conflicts, will have on its future financial position and operating results due to numerous uncertainties.

### FSMA Section 204(d)

In 2020, the United States Food & Drug Administration ("*FDA*") announced the "New Era of Smarter Food Safety" blueprint. It "outlines achievable goals to enhance traceability, improve predictive analytics, respond more rapidly to outbreaks, address new business models, reduce contamination of food, and foster the development of stronger food safety cultures." But one particular section of the Food Safety Modernization Act ("*FSMA*"), Section 204(d) which has to deal with traceability, was left incomplete when the regulation was enacted in 2011. FDA has been working for the last few years to define exactly what traceability means and what is required to comply with that section of the law.

As part of the 2020 "New Era" announcement, FDA published the Food Traceability List or ("*FTL*"). FDA used a "risk assessment model" to identify 16 of the highest-risk categories to start with. There is not a single grocery retailer who does not sell these items. These 16 categories represent thousands of individual items and FDA has made it clear in its communications the categories on the FTL are only the beginning. FDA states that they would "encourage the voluntary adoption of these practices industry-wide," which means more categories are expected to be added over time.

On November 7, 2022, FDA announced the final rule on FSMA Section 204(d) and proposes it would become effective 60 days after publication in the *Federal Register*. The proposed compliance date for all persons subject to the recordkeeping requirements would be 2 years after the effective date of the final regulation.

For traceability, FDA requires the capture, creation and sharing of specific key data elements ("*KDE*") at each designated Critical Tracking Event ("*CTE*") for every item and every shipment. FDA also requires the data be stored for two years and be retrievable and presented to them within 24 hours upon request. FSMA 204 is ultimately about recording all movement of inventories through the supply chain. The result is an enormous amount of data to manage. At the root, it is a supply chain data management issue, which is ReposiTrak's core expertise. That's why we've made it our goal to develop a traceability solution that's easy, inexpensive and exceeds FDA's requirements with the guidance of industry thought leaders gathered in the Food Traceability Leadership Consortium. As the largest connected network of food suppliers, wholesalers and retailers in the world, the ReposiTrak Traceability Network® is well positioned to provide end-to-end traceability to provide a safer food supply chain, tighten control on food waste and implement a food recall response that saves lives and money.

## Results of Operations

### **Comparison of the Three Months Ended September 30, 2023 to the Three Months Ended September 30, 2022.**

#### **Revenue**

	Fiscal Quarter Ended September 30,		Variance	
	2023	2022	Dollars	Percent
Revenue	\$ 5,060,112	\$ 4,720,477	\$ 339,635	7%

Revenue was \$5,060,112 and \$4,720,477 for the three months ended September 30, 2023 and 2022, respectively, a 7% increase year-over-year. The increase in revenue was due to revenue growth in subscription, services and other recurring revenue. This is the result of growing industry and consumer concern of food contaminations and food safety hazards, whether biological, chemical, physical, or allergenic. The risks have elevated regulatory requirements, documentation requisites, and principally "where does your food come from" transparency on grocery retailers and their suppliers. As more and more retailers, wholesalers and distributors adopt the risk concerns and disclosure requirements, the Company has seen a rising demand for its services.

Although no assurances can be given, we continue to focus our sales efforts on marketing our software services on a recurring subscription basis and placing less emphasis on transactional revenue. However, we believe there will continue to be a small percentage of customers that will require buying a particular service outright (i.e., a license). We will continue to make our best effort to reduce this non-recurring transactional revenue when we are able.

#### **Cost of Services and Product Support**

	Fiscal Quarter Ended September 30,		Variance	
	2023	2022	Dollars	Percent
Cost of services and product support	\$ 766,334	\$ 832,704	\$ (66,370)	-8%
Percent of total revenue	15%	18%		

Cost of services and product support was \$766,334 and \$832,704 for the three months ended September 30, 2023 and 2022, respectively, an 8% decrease. This \$66,370 decrease is primarily the result of decreased salary and support services resulting from the Company's internal restructuring of managerial positions in effort to increased demand in response to the FSMA 204 initiative.

#### **Sales and Marketing Expense**

	Fiscal Quarter Ended September 30,		Variance	
	2023	2022	Dollars	Percent
Sales and marketing	\$ 1,505,501	\$ 1,200,259	\$ 305,242	25%
Percent of total revenue	30%	25%		

Sales and marketing expense were \$1,505,501 and \$1,200,259 for the three months ended September 30, 2023 and 2022, respectively, a 25% increase. This increase in sales and marketing expense is primarily the result of an increase in trade show expense, investment in FSMA 204 traceability marketing, and higher sales travel expense. As the pandemic continues to abate, many customers and prospects are returning to the "new normal" requiring in person meetings. The largest contributor to the increase in sales and marketing expense has been an increase in travel cost and trade shows. We believe this trend will continue as many of our trading partners and industry associations will continue to require our assistance in addressing their compliance and supply chain needs.

#### **General and Administrative Expense**

	Fiscal Quarter Ended September 30,		Variance	
	2023	2022	Dollars	Percent
General and administrative	\$ 1,279,323	\$ 1,223,462	\$ 55,861	5%
Percent of total revenue	25%	26%		

General and administrative expense was \$1,279,323 and \$1,223,462 for the three months ended September 30, 2023 and 2022, respectively, a 5% increase. The increase in general and administrative expense is primarily due to increased salary expense and a rise in general operating costs caused by increased inflation and overall current market conditions.

#### **Depreciation and Amortization Expense**

	Fiscal Quarter Ended September 30,		Variance	
	2023	2022	Dollars	Percent
Depreciation and amortization	\$ 308,945	\$ 236,006	\$ 72,939	31%
Percent of total revenue	6%	5%		

Depreciation and amortization expense was \$308,945 and \$236,006 for the three months ended September 30, 2023 and 2022, respectively, an increase of 31%. This increase is due to additional assets acquired in the prior fiscal year. Given the rising global hacks on software companies, banks, and financial institutions, we spent approximately \$420,000 on security, backup, storage, and redundancy. The upgrades were financed through a leasing agent with an effective APR rate of 4.45%.



## Other Income and Expense

	Fiscal Quarter Ended September 30,		Variance	
	2023	2022	Dollars	Percent
Net other income (expense)	\$ 279,003	\$ 117,072	\$ 161,931	138%
Percent of total revenue	6%	2%		

Net other income was \$279,003 for the three months ended September 30, 2023, compared to net other income of \$117,072 for the three months ended September 30, 2022. Other income increased due to an increase in interest income attributable to rising interest rates on fixed income instruments on excess cash.

## Preferred Dividends

	Fiscal Quarter Ended September 30,		Variance	
	2023	2022	Dollars	Percent
Preferred dividends	\$ 146,611	\$ 146,611	\$ -	-%
Percent of total revenue	3%	3%		

Dividends accrued on the Company's Series B-1 Preferred was \$146,611 for the three months ended September 30, 2023 and for the three months ended September 30, 2022. Dividends remained flat in the comparable periods.

## Financial Position, Liquidity and Capital Resources

We believe that our existing cash and short-term investments, together with funds generated from operations, are sufficient to fund operating and investment requirements for at least the next twelve months. Our future capital requirements will depend on many factors, including macroeconomic conditions, our rate of revenue growth, sales and marketing activities, the timing and extent of spending required for research and development efforts and the continuing market acceptance of our products and services.

	As of		Variance	
	September 30, 2023	June 30, 2023	Dollars	Percent
Cash and cash equivalents	\$ 23,697,228	\$ 23,990,879	\$ (293,651)	-1%

We have historically funded our operations with cash from operations, equity financings, and borrowings from our existing line of credit with U.S. Bank N.A. (the "Bank"), which was revised on October 6, 2021, and again in 2022.

Cash was \$23,697,228 and \$23,990,879 at September 30, 2023 and June 30, 2023, respectively. This 1% decrease is primarily the result of the purchase of Common Stock under our Share Repurchase Program and payment of dividends on both the Preferred Stock and Common Stock.

## Net Cash Flows from Operating Activities

	Three Months Ended September 30,		Variance	
	2023	2022	Dollars	Percent
Cash provided by operating activities	\$ 1,520,770	\$ 1,811,475	\$ (290,705)	-16%

Net cash provided by operating activities is summarized as follows:

	Three Months Ended September 30,	
	2023	2022
Net income	\$ 1,378,548	\$ 1,285,112
Noncash expense and income, net	484,149	511,194
Net changes in operating assets and liabilities	(341,927)	15,169
	<u>\$ 1,520,770</u>	<u>\$ 1,811,475</u>

Net cash provided by operating activities for the three months ended September 30, 2023 was \$1,520,770 as compared to net cash provided by operating activities of \$1,811,475 for the three months ended September 30, 2022. Net cash provided by operating activities decreased 16% due principally to an increase in accounts receivable and a decrease in accounts payable. Noncash expense decreased by \$27,045 in the three months ended September 30, 2023, compared to three months ended September 30, 2022 as a result of a decrease in bad debt expense and stock compensation expense offset by an increase in depreciation and amortization.

#### Net Cash Flows from Investing Activities

	Three Months Ended September 30,		Variance	
	2023	2022	Dollars	Percent
Cash used in investing activities	\$ -	\$ (19,533)	\$ 19,533	-100%

Net cash used in investing activities for the three months ended September 30, 2023 was \$0 compared to net cash used in investing activities of \$19,533 for the three months ended September 30, 2022. This decrease in cash used in investing activities for the three months ended September 30, 2023 was due to no purchases of property and equipment in the current fiscal quarter.

#### Net Cash Flows from Financing Activities

	Three Months Ended September 30,		Variance	
	2023	2022	Dollars	Percent
Cash used in financing activities	\$ (1,814,421)	\$ (1,625,163)	\$ (189,258)	12%

Net cash used in financing activities totaled \$1,814,421 for the three months ended September 30, 2023, as compared to cash used in financing activities of \$1,625,163 for the three months ended September 30, 2022. The increase in net cash used in financing activities is primarily attributable to the payment of Common Stock dividends and the purchase of Common Stock under the Share Repurchase Program offset by decrease in cash payments due to the payoff of our line of credit arrangement with a bank in the prior fiscal quarter.

#### Liquidity and Working Capital

At September 30, 2023, the Company had positive working capital of \$22,917,547, as compared with positive working capital of \$23,042,199 at June 30, 2023. This \$124,652 decrease in working capital is primarily due to an increase in accounts receivable and decrease in prepaid and other assets offset by an increase in contract liabilities and deferred revenue. Cash and cash equivalents also decreased due to payment of quarterly Common Stock dividends announced in the prior fiscal year.

	As of September 30, 2023	As of June 30, 2023	Variance	
			Dollars	Percent
Current assets	\$ 27,196,488	\$ 27,274,620	\$ (78,132)	-%

Current assets totaled \$27,196,488 as of September 30, 2023, as compared to \$27,274,620 as of June 30, 2023. The decrease in current liabilities is primarily attributable to the decrease in cash, prepaid expense and other current assets offset by an increase in accounts receivables.

	As of September 30, 2023	As of June 30, 2023	Variance	
			Change	Percent
Current liabilities	\$ 4,278,941	\$ 4,232,421	\$ 46,520	1%
Current ratio	6.36	6.44	(0.08)	-1%

Current liabilities totaled \$4,278,941 as of September 30, 2023 as compared to \$4,232,421 as of June 30, 2023. The increase in current liabilities is primarily attributable to the increase in contract liabilities and deferred revenue. As of September 30, 2023, the Company has zero bank debt.

On October 6, 2021, the Company and U.S. Bank N.A. (the "Bank") executed a Revolving Credit Agreement (the "Revolving Credit Agreement") and accompanying addendum (the "Addendum"), and Stand-Alone Revolving Note (the "Note" and collectively with the Revolving Credit Agreement and Addendum, the "Credit Agreement"), with an effective date of September 30, 2021. The Credit Agreement replaced the Company's prior \$6.0 million Revolving Credit Agreement and Stand-Alone Revolving Note between the Company and the Bank, as amended and revised on January 9, 2019, and provided the Company with a \$10.0 million revolving line of credit that matured on March 31, 2023. The Credit Agreement contained customary affirmative and negative covenants and conditions to borrowing, as well as customary events of default. Among other things, the Company must maintain liquid assets equal to \$12 million and maintain a Senior Funded Debt (as defined in the Credit Agreement) to EBITDA Ratio (as defined in the Credit Agreement) of not more than 3:1.

On April 28, 2023, the Company and the Bank executed an Amendment to the Credit Agreement, with an effective date of March 31, 2023. The new amendment provisions to the existing \$10 million facility are (1) the Company will increase its liquidity requirement from \$10 million to \$12 million. Currently the Company maintains over \$22 million in cash and a current ratio of over 6:1; and (2) Draws on the facility accrue interest at the annual rate equal to 1.75% plus the one-month SOFR rate instead of the previous LIBOR rate. As of September 30, 2023, the balance of the facility was zero. The Company had zero bank debt at September 30, 2023.

While no assurances can be given, management currently believes that the Company will continue to increase its cash flow from operations and working capital position in subsequent periods. The Company's increase in anticipated cash flow from operations and working capital position is expected to be offset by the use of cash required to fund the Company's quarterly cash dividends of \$0.015 per share, announced on September 28, 2022, December 30, 2022, February 10, 2023, March 21, 2023, June 20, 2023 and September 19, 2023, as well as the redemption and retirement of the Company's Series B Convertible Preferred Stock and Series B-1 Preferred Stock (together, the "Preferred Stock") for their stated value, or \$10.70 for each share of Preferred Stock, resulting in an aggregate purchase price of \$8,964,214 (the "Preferred Redemption").

The Preferred Redemption is to occur over the next three years from September 12, 2023. As of September 30, 2023, the Company had not redeemed or retired any shares of Preferred Stock. The Company believes it will have adequate cash resources to fund its operations, satisfy its debt obligations, and fund its anticipated quarterly cash dividends and Preferred Redemption for at least the next 12 months.

#### Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements that are reasonably likely to have a current or future effect on our financial condition, revenue, and results of operation, liquidity or capital expenditures.

#### Contractual Obligations

Total contractual obligations and commercial commitments as of September 30, 2023 are summarized in the following table:

	Operating Leases	Financing Leases
Less than 1 Year	\$ 73,835	\$ 225,243
1-3 Years	154,383	82,727
3-5 Years	114,713	-
Total lease payments	342,931	307,970
Less imputed interest	(35,331)	(11,510)
Total	<u>\$ 307,600</u>	<u>\$ 296,460</u>

#### Critical Accounting Policies

This Management's Discussion and Analysis of Financial Condition and Results of Operations discusses the Company's financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles.

We commenced operations in the software development and professional services business during 1990. The preparation of our financial statements requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expense during the reporting period. On an ongoing basis, management evaluates its estimates and assumptions. Management bases its estimates and judgments on historical experience of operations and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Management believes the following critical accounting policies, among others, will affect its more significant judgments and estimates used in the preparation of our consolidated financial statements.

#### Income Taxes

In determining the carrying value of the Company's net deferred income tax assets, the Company must assess the likelihood of sufficient future taxable income in certain tax jurisdictions, based on estimates and assumptions, to realize the benefit of these assets. If these estimates and assumptions change in the future, the Company may record a reduction in the valuation allowance, resulting in an income tax benefit in the Company's statements of operations. Management evaluates whether to realize the deferred income tax assets and assesses the valuation allowance quarterly.

## Goodwill and Other Long-Lived Asset Valuations

Goodwill and other long-lived assets assigned to specific reporting units are reviewed for possible impairment at least annually or more frequently upon the occurrence of an event or when circumstances indicate that a reporting unit's carrying amount is greater than its fair value. Management reviews the long-lived tangible and intangible assets for impairment when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Management evaluates, at each balance sheet date, whether events and circumstances have occurred which indicate possible impairment. The carrying value of a long-lived asset is considered impaired when the anticipated cumulative undiscounted cash flows of the related asset or group of assets is less than the carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the estimated fair market value of the long-lived asset. Economic useful lives of long-lived assets are assessed and adjusted as circumstances dictate.

## Revenue Recognition

Effective July 1, 2018, the Company adopted the Financial Accounting Standards Board's Accounting Standards Update 2014-09: *Revenue from Contracts with Customers (Topic 606)*, and its related amendments ("ASU 2014-09"). ASU 2014-09 provides a unified model to determine when and how revenue is recognized and enhances certain disclosure around the nature, timing, amount and uncertainty of revenue and cash flows arising from customers.

ASU 2014-09 represents a change in the accounting model utilized for the recognition of revenue and certain expense arising from contracts with customers. The Company adopted ASU 2014-09 using a "modified retrospective" approach and, accordingly, revenue and expense totals for all periods before July 1, 2018 reflect those previously reported under the prior accounting model and have not been restated.

See Note 2 to our Unaudited Consolidated Financial Statements included in Part I, Item 1 of this Report for a full description of the impact of the adoption of new accounting standards on our financial statements. Following the adoption of this guidance, the revenue recognition for our sales arrangements remained materially consistent with our historical practice and there have been no material changes to our critical accounting policies and estimates as compared to our critical accounting policies and estimates included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2023.

## Share-Based Compensation

The Company accounts for its share-based compensation to employees and non-employees in accordance with FASB ASC 718, *Compensation – Stock Compensation*. Stock-based compensation cost is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense over the requisite service or vesting period.

## Leases

Effective July 1, 2019, the Company adopted the requirements of Accounting Standards Update No. 2016-02, "Leases (Topic 842)" ("ASU 2016-02"). All amounts and disclosures set forth in this Report have been updated to comply with this new standard with results for reporting periods beginning after July 1, 2019 presented under ASU 2016-02, while prior period amounts and disclosures are not adjusted and continue to be reported under the accounting standards in effect for the prior period.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our business is conducted principally in the United States. As a result, our financial results are not affected by factors such as changes in foreign currency exchange rates or economic conditions in foreign markets. We do not engage in hedging transactions to reduce our exposure to changes in currency exchange rates, although if the geographical scope of our business broadens, we may do so in the future.

Our exposure to risk for changes in interest rates relates primarily to our investments in short-term financial instruments. Investments in both fixed rate and floating rate interest earning instruments carry some interest rate risk. The fair value of fixed rate securities may fall due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. Partly as a result of this, our future interest income may fall short of expectations due to changes in interest rates or we may suffer losses in principal if we are forced to sell securities that have fallen in estimated fair value due to changes in interest rates. However, as substantially all of our cash consist of bank deposits and short-term money market instruments, we do not expect any material change with respect to our net income as a result of an interest rate change.

Our exposure to interest rate changes related to borrowing has been limited, and we believe the effect, if any, of near-term changes in interest rates on our financial position, results of operations and cash flows should not be material. At September 30, 2023, our debt portfolio was composed of (1) Bank Line of Credit – SOFR + 1.75%. The balance is zero. (2) Leases – Effective APR Fixed is 4.55%. Total lease obligations are on a three-year straight-line basis. The total cost is less than \$400,000.

The table that follows presents fair values of principal amounts and weighted average interest rates for our investment portfolio as of September 30, 2023:

	Aggregate Fair Value	Weighted Average Interest Rate
Cash:		
Cash	\$ 23,697,228	4.93%

#### ITEM 4. CONTROLS AND PROCEDURES

(a) **Evaluation of disclosure controls and procedures.** Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, an evaluation of the effectiveness of the design and operations of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of September 30, 2023 was completed. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer believe that our disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, including to ensure that information required to be disclosed by the Company is accumulated and communicated to management, including the principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

(b) **Changes in internal controls over financial reporting.** The Company's Chief Executive Officer and Chief Financial Officer have determined that there have been no changes in the Company's internal control over financial reporting during the period covered by this report identified in connection with the evaluation described in the above paragraph that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II

### OTHER INFORMATION

#### ITEM 1. LEGAL PROCEEDINGS

We are, from time-to-time, involved in various legal proceedings incidental to the conduct of our business. Historically, the outcome of all such legal proceedings has not, in the aggregate, had a material adverse effect on our business, financial condition, results of operations or liquidity. There is currently no pending or threatened material legal proceeding that, in the opinion of management, could have a material adverse effect on our business or financial condition.

#### ITEM 1A. RISK FACTORS

There are no risk factors identified by the Company in addition to the risk factors previously disclosed in Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended June 30, 2023.

#### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

#### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

#### ITEM 5. OTHER INFORMATION

None.

#### ITEM 6. EXHIBITS

31.1	<a href="#">Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2	<a href="#">Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1	<a href="#">Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2	<a href="#">Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File - formatted in Inline XBRL (included as Exhibit 101)

## SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PARK CITY GROUP, INC.

Date: November 14, 2023

By: /s/ Randall K. Fields

Randall K. Fields

Chair of the Board and Chief Executive Officer

(Principal Executive Officer)

PARK CITY GROUP, INC.

Date: November 14, 2023

By: /s/ John R. Merrill

John R. Merrill

Chief Financial Officer

(Principal Financial Officer & Principal Accounting Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE AND FINANCIAL OFFICER  
PURSUANT TO EXCHANGE ACT RULE 13A-14(A)**

I, Randall K. Fields, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Park City Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2023

By: /s/ Randall K. Fields  
Randall K. Fields  
Chief Executive Officer and Chair of the Board  
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE AND FINANCIAL OFFICER  
PURSUANT TO EXCHANGE ACT RULE 13A-14(A)**

I, John R. Merrill, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Park City Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2023

By: /s/ John R. Merrill  
John R. Merrill  
Chief Financial Officer  
(Principal Financial Officer & Principal Accounting Officer)



**CERTIFICATION PURSUANT TO 18 U.S.C. Sec.1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the accompanying Quarterly Report of Park City Group, Inc. (the "*Company*") on Form 10-Q for the period ending September 30, 2023 as filed with the Securities and Exchange Commission on or about the date hereof (the "*Report*"), the undersigned, Randall K. Fields, Principal Executive Officer of the Company, certifies, to my best knowledge and belief, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: November 14, 2023

By: /s/ Randall K. Fields  
Randall K. Fields  
Chief Executive Officer and Chair of the Board  
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. Sec.1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the accompanying Quarterly Report of Park City Group, Inc. (the "*Company*") on Form 10-Q for the period ending September 30, 2023 as filed with the Securities and Exchange Commission on or about the date hereof (the "*Report*"), the undersigned, John R. Merrill, Principal Financial Officer of the Company, certifies, to my best knowledge and belief, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: November 14, 2023

By: /s/ John R. Merrill  
John R. Merrill  
Chief Financial Officer  
(Principal Financial Officer & Principal Accounting Officer)