



AGENT INFORMATION SOFTWARE, INC.

Quarterly Reports

Quarter Ended September 30, 2020

Trading Symbol: AIFS

AGENT INFORMATION SOFTWARE, INC.
Quarterly Report
September 30, 2020 and 2019

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AGENT INFORMATION SOFTWARE, INC.
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Unaudited Consolidated Balance Sheets

September 30, 2020 and 2019

| | <u>September 30 2020</u> | <u>September 30 2019</u> |
|--------------------------------------------------------------------------------------------------------------|------------------------------|------------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 2,607,795 | \$ 2,660,327 |
| Restricted cash | - | - |
| Accounts receivable, trade | 817,534 | 700,757 |
| Deferred income taxes, current | - | 42,000 |
| Other current assets | 279,866 | 206,412 |
| Total current assets | <u>3,705,195</u> | <u>3,609,496</u> |
| Capitalized software, net | 2,263,866 | 2,456,878 |
| Equipment, net | 298,053 | 243,717 |
| Total assets | <u>\$ 6,267,114</u> | <u>\$ 6,310,091</u> |
| LIABILITIES & STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Current maturities on long-term debt | \$ - | \$ - |
| Accounts payable, trade | 53,939 | 315 |
| Deferred revenue | 2,012,522 | 2,161,639 |
| Accrued payroll and related liabilities | 241,472 | 228,541 |
| Other accrued liabilities | 85,517 | 218,631 |
| Total current liabilities | <u>2,393,450</u> | <u>2,609,126</u> |
| Long-term debt | - | - |
| Accrued income taxes | 72,787 | 74,275 |
| Deferred income taxes | 267,000 | 178,000 |
| Total liabilities | 2,733,237 | 2,861,401 |
| Stockholders' equity: | | |
| Common stock, \$0.001 par value, 12,000,000 shares authorized, 4,474,577 shares issued and outstanding | 3,373,259 | 3,319,378 |
| Accumulated other comprehensive income (loss) | (178,748) | (104,526) |
| Accumulated deficit | 339,366 | 233,838 |
| Total stockholders' equity | <u>3,533,877</u> | <u>3,448,690</u> |
| Total liabilities and stockholders' equity | <u>\$ 6,267,114</u> | <u>\$ 6,310,091</u> |

AGENT INFORMATION SOFTWARE, INC.
Quarterly Report

Unaudited Consolidated Statements of Operations

For the Nine Months Ended September 30, 2020 and 2019

| | September 30 2020 | September 30 2019 |
|-----------------------------------------------|-----------------------------|-----------------------------|
| | <u> </u> | <u> </u> |
| Revenues: | | |
| Recurring Revenue | \$ 3,924,797 | \$ 3,955,304 |
| Non-recurring Revenue | 82,837 | 218,496 |
| Total Net Revenue | <u>4,007,634</u> | <u>4,173,800</u> |
| Cost and expenses: | | |
| Cost of sales | 896,871 | 928,533 |
| Research and development | 298,036 | 193,328 |
| Sales, marketing and customer service | 1,583,182 | 1,445,710 |
| General and administrative | 888,959 | 1,014,915 |
| Total costs and expenses | <u>3,667,048</u> | <u>3,582,486</u> |
| Income from operations | 340,586 | 591,314 |
| Other income (expense): | | |
| Other income (expense), net | 13,231 | 17,412 |
| Total other income (expense): | <u>13,231</u> | <u>19,015</u> |
| Income before provision for income taxes | 353,817 | 610,329 |
| Provision for income taxes | <u>103,696</u> | <u>74,056</u> |
| Net income (loss) | <u>\$ 250,121</u> | <u>\$ 536,273</u> |
| | | |
| Earnings per share - Basic | \$ 0.06 | \$ 0.12 |
| Weighted average shares outstanding - Basic | 4,474,577 | 4,402,577 |
| Earnings per share - Diluted | \$ 0.05 | \$ 0.10 |
| Weighted average shares outstanding - Diluted | 5,157,410 | 5,351,677 |

AGENT INFORMATION SOFTWARE, INC.
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Unaudited Consolidated Statements of Cash Flow

For the Nine Months Ended September 30, 2020 and 2019

| | September 30 2020 | September 30 2019 |
|-----------------------------------------------------------------------------------|----------------------|----------------------|
| Cash Flows from Operating Activities: | | |
| Net Income (Loss) | \$ 250,121 | \$ 536,273 |
| Adjustments to reconcile net income (loss) to net cash provided by operations: | - | - |
| Depreciation and Amortization | 493,464 | 504,172 |
| Stock Option Expense | 1,692 | 1,692 |
| Gain on Sales of Assets | - | - |
| Deferred Income Tax Benefit | - | - |
| Changes in operating assets & liabilities | (258,145) | 188,068 |
| Net Cash Provided by Operating Activities | 487,132 | 1,230,205 |
| Cash Flows from Investing Activities: | | |
| Proceeds from Sale of Assets | - | - |
| Acquisition of Property & Eqpt | (93,752) | (208,843) |
| Capitalized Software Development | (330,000) | (330,000) |
| Net Cash Used in Investing Activities | \$ (423,752) | \$ (538,843) |
| Cash Flows from Financing Activities: | | |
| Dividend Payments | (134,237) | (110,614) |
| Proceeds (Payments) from (of) Long-Term Debt | - | (11,625) |
| Net Cash Used in Financing Activities | (134,237) | (122,239) |
| Effect of exchange rate changes on cash | - | - |
| Net Increase (Decrease) in Cash | (70,857) | 569,123 |
| Cash and Cash Equivalents, Beginning of Year | 2,678,652 | 2,091,204 |
| Cash and Cash Equivalents, Sept 30, 2020 and 2019 | 2,607,795 | \$ 2,660,327 |

AGENT INFORMATION SOFTWARE, INC.
Quarterly Report

Unaudited Consolidated Statements of Retained Earnings

For the Nine Months Ended September 30, 2020 and 2019

| | Common Stock | | Retained Earnings Deficit | Accumulated Other Comprehensive Loss | Total Stockholders' Equity |
|------------------------------|------------------|---------------------|---------------------------------|-----------------------------------------------|----------------------------------|
| | Shares | Amount | | | |
| Balance, December 31, 2018 | 4,342,577 | \$ 3,302,345 | \$ (190,650) | \$ (139,232) | \$ 2,972,463 |
| Net Income | | | 527,351 | | 527,351 |
| Foreign currency translation | | | | 37,069 | 37,069 |
| Comprehensive income | | | | | - |
| Common stock dividends | | | (110,614) | | (110,614) |
| Common stock issuance | 82,000 | 15,340 | | | 15,340 |
| Stock option expense | | 32,647 | | | 32,647 |
| Balance, December 31, 2019 | <u>4,424,577</u> | <u>\$ 3,350,332</u> | <u>\$ 226,087</u> | <u>\$ (102,163)</u> | <u>\$ 3,474,256</u> |
| Net Income | | | 79,637 | | 79,637 |
| Foreign currency translation | | | | (81,556) | (81,556) |
| Comprehensive income | | | | | - |
| Common stock dividends | | | | | - |
| Common stock issuance | 40,000 | 16,233 | | | 16,233 |
| Stock option expense | | 566 | | | 566 |
| Balance, March 31, 2020 | <u>4,464,577</u> | <u>\$ 3,367,131</u> | <u>\$ 305,724</u> | <u>\$ (183,719)</u> | <u>\$ 3,489,136</u> |
| Net Income | | | 78,120 | | 78,120 |
| Foreign currency translation | | | | 1,503 | 1,503 |
| Comprehensive income | | | | | - |
| Common stock dividends | | | (134,237) | | (134,237) |
| Common stock issuance | 10,000 | 5,000 | | | 5,000 |
| Stock option expense | | 566 | | | 566 |
| Balance, June 30, 2020 | <u>4,474,577</u> | <u>\$ 3,372,697</u> | <u>\$ 249,607</u> | <u>\$ (182,216)</u> | <u>\$ 3,440,088</u> |
| Net Income | | | 89,759 | | 89,759 |
| Foreign currency translation | | | | 3,468 | 3,468 |
| Comprehensive income | | | | | - |
| Common stock dividends | | | | | - |
| Common stock issuance | | | | | - |
| Stock option expense | | 562 | | | 562 |
| Balance, September 30, 2020 | <u>4,474,577</u> | <u>\$ 3,373,259</u> | <u>\$ 339,366</u> | <u>\$ (178,748)</u> | <u>\$ 3,533,877</u> |

AGENT INFORMATION SOFTWARE, INC.

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September 30, 2020

Notes to Unaudited Consolidated Financial Statements

Summary of significant accounting policies

Agent Information Software, Inc. (the “Company”), a Nevada corporation, incorporated in 2010, including its wholly owned subsidiaries Auto Graphics, Inc., A-G Canada, Ltd. and Agent Legal, Inc., provides software products and services used to create, manage, publish and access information content via the Internet/Web.

Auto Graphics, Inc. a corporation formed in 1960 provides software products and services to customers in the library community and publishing markets throughout the United States of America.

A-G Canada Ltd., a Canadian corporation formed in 1997, provides software products and services to customers in the library community in Canada.

Basis of presentation

The consolidated financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements include the accounts of Agent Information Software, Inc. and its subsidiaries. All material intercompany accounts and transactions have been eliminated.

Use of estimates

The preparation of the consolidated financial statements of the Company in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and sales and expenses during the reporting period. These estimates are based on information available as of the date of the consolidated financial statements. Actual results may materially differ from those estimated.

Revenue recognition

Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectability is probable. The Company enters into certain arrangements where it is obligated to deliver multiple products and/or services (multiple elements). In these arrangements, the Company generally allocates the total revenue among the elements based on the selling price of each element when sold separately (vendor-specific objective evidence).

Recurring revenues for SaaS (Software as a Service) services, database subscriptions and software maintenance and support contracts are recognized as services are rendered over the contractual period commencing in the period in which access rights are provided to the customer.

License revenues are recognized when the software is shipped to the customer or system access rights are provided to the customer.

Non-recurring revenues for installation, training and other non-recurring services are recognized as services are completed to the customer.

Accounts receivable

Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on reviews of outstanding amounts on a regular basis. There was no need to adjust the Allowance for Doubtful Accounts during the 3rd quarter of 2020.

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Notes to Unaudited Consolidated Financial Statements

Deferred revenue

The Company receives advance deposits from customers per the contracts with individual customers. These contract deposit amounts are non-refundable. Revenues are treated as deferred revenue until services are provided and the revenues have been earned. Deferred revenues were approximately \$2,013,000 at September 30, 2020

Software

Software is recorded at historical cost. Software as of September 30 consists of the following:

| | <u>2020</u> | <u>2019</u> |
|-------------------------------|------------------|--------------------|
| Capitalized software | \$4,747,102 | \$6,558,487 |
| Less accumulated amortization | <u>2,483,236</u> | <u>4,101,609</u> |
| Capitalized software, net | <u>2,263,866</u> | <u>\$2,456,878</u> |

Certain costs incurred related to the development and purchase of computer software is capitalized and amortized. The Company collects and segregates software development labor hours applied to design, development, quality assurance and product documentation associated with the software development process. All labor hours associated with the design and specification development process are expensed as incurred until a detailed design has been developed.

COVID-19 Impact

The company continues to work at full capacity, with all staff working remotely from their homes.