



AGENT INFORMATION SOFTWARE, INC.

Quarterly Reports

Quarter Ended September 30, 2021

Trading Symbol: AIFS

AGENT INFORMATION SOFTWARE, INC.
Quarterly Report
September 30, 2021 and 2020

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AGENT INFORMATION SOFTWARE, INC.**Quarterly Report****Unaudited Consolidated Balance Sheets****September 30, 2021 and 2020**

	September 30 2021	September 30 2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,938,583	\$ 2,607,795
Restricted cash	-	-
Accounts receivable, trade	512,990	817,534
Deferred income taxes, current	-	-
Other current assets	280,161	279,866
Total current assets	<u>3,731,734</u>	<u>3,705,195</u>
Capitalized software, net	2,457,298	2,263,866
Equipment, net	369,131	298,053
Total assets	<u>\$ 6,558,163</u>	<u>\$ 6,267,114</u>
LIABILITIES & STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities on long-term debt	\$ -	\$ -
Accounts payable, trade	51,222	53,939
Deferred revenue	1,955,110	2,012,522
Accrued payroll and related liabilities	180,065	241,472
Other accrued liabilities	64,997	85,517
Total current liabilities	<u>2,251,394</u>	<u>2,393,450</u>
Long-term debt	-	-
Accrued income taxes	28,457	72,787
Deferred income taxes	257,000	267,000
Total liabilities	2,536,851	2,733,237
Stockholders' equity:		
Common stock, \$0.001 par value, 12,000,000 shares authorized, 4,682,910 shares issued and outstanding	3,521,433	3,373,259
Accumulated other comprehensive income (loss)	(244,888)	(178,748)
Accumulated deficit	744,767	339,366
Total stockholders' equity	<u>4,021,312</u>	<u>3,533,877</u>
Total liabilities and stockholders' equity	<u>\$ 6,558,163</u>	<u>\$ 6,267,114</u>

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Unaudited Consolidated Statements of Operations

For the Nine Months Ended September 30, 2021 and 2020

	September 30 2021	September 30 2020
	<u> </u>	<u> </u>
Revenues:		
Recurring Revenue	\$ 3,862,796	\$ 3,924,797
Non-recurring Revenue	28,370	82,837
Total Net Revenue	<u>3,891,166</u>	<u>4,007,634</u>
Cost and expenses:		
Cost of sales	901,042	896,871
Research and development	215,568	298,036
Sales, marketing and customer service	1,511,347	1,583,182
General and administrative	940,032	888,959
Total costs and expenses	<u>3,567,989</u>	<u>3,667,048</u>
Income from operations	323,177	340,586
Other income (expense):		
Other income (expense), net	28,997	13,231
Total other income (expense):	<u>28,997</u>	<u>13,231</u>
Income before provision for income taxes	352,174	353,817
Provision for income taxes	<u>107,924</u>	<u>103,696</u>
Net income (loss)	<u>\$ 244,250</u>	<u>\$ 250,121</u>
Earnings per share - Basic	\$ 0.05	\$ 0.06
Weighted average shares outstanding - Basic	4,682,910	4,474,577
Earnings per share - Diluted	\$ 0.05	\$ 0.05
Weighted average shares outstanding - Diluted	5,282,276	5,157,410

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Unaudited Consolidated Statements of Cash Flow

For the Nine Months Ended September 30, 2021 and 2020

	<u>September 30</u> 2021	<u>September 30</u> 2020
Cash Flows from Operating Activities:		
Net Income (Loss)	\$ 244,250	\$ 250,121
Adjustments to reconcile net income (loss) to net cash provided by operations:	-	-
Depreciation and Amortization	508,328	493,464
Stock Option Expense	8,188	1,692
Gain on Sales of Assets	28,000	-
Deferred Income Tax Benefit	-	-
Changes in operating assets & liabilities	308,883	(258,145)
Net Cash Provided by Operating Activities	<u>1,097,649</u>	<u>487,132</u>
Cash Flows from Investing Activities:		
Proceeds from Sale of Assets	-	-
Acquisition of Property & Eqpt	(57,901)	(93,752)
Capitalized Software Development	(688,136)	(330,000)
Net Cash Used in Investing Activities	<u>\$ (746,037)</u>	<u>\$ (423,752)</u>
Cash Flows from Financing Activities:		
Dividend Payments	(157,310)	(134,237)
Proceeds (Payments) from (of) Long-Term Debt	-	-
Net Cash Used in Financing Activities	<u>(157,310)</u>	<u>(134,237)</u>
Effect of exchange rate changes on cash	<u>(3,878)</u>	<u>-</u>
Net Increase (Decrease) in Cash	190,424	(70,857)
Cash and Cash Equivalents, Beginning of Year	<u>2,748,159</u>	<u>2,678,652</u>
Cash and Cash Equivalents, September 30, 2021 and 2020	<u><u>2,938,583</u></u>	<u><u>\$ 2,607,795</u></u>

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Unaudited Consolidated Statements of Retained Earnings

For the Nine Months Ended September 30, 2021 and 2020

	Common Stock		Retained Earnings Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount			
Balance, December 31, 2019	4,424,577	\$ 3,350,332	\$ 226,087	\$ (102,163)	\$ 3,474,256
Net Income			408,667		408,667
Foreign currency translation				5,954	5,954
Comprehensive income					-
Common stock dividends			(134,237)		(134,237)
Common stock issuance	60,000	23,233			23,233
Stock option expense		26,929			26,929
Balance, December 31, 2020	4,484,577	\$ 3,400,494	\$ 500,517	\$ (96,209)	\$ 3,804,802
Net Income			120,398		120,398
Foreign currency translation				(52,248)	(52,248)
Comprehensive income					-
Common stock dividends					-
Common stock issuance	-	-			-
Stock option expense		2,188			2,188
Balance, March 31, 2021	4,484,577	\$ 3,402,682	\$ 620,915	\$ (148,457)	\$ 3,875,140
Net Income			98,001		98,001
Foreign currency translation				90,235	90,235
Comprehensive income					-
Common stock dividends			(157,310)		(157,310)
Common stock issuance	10,000	3,200			3,200
Stock option expense		3,000			3,000
Balance, June 30, 2021	4,494,577	\$ 3,408,882	\$ 561,606	\$ (58,222)	\$ 3,912,266
Net Income			25,851		25,851
Foreign currency translation				(29,355)	(29,355)
Comprehensive income					-
Common stock dividends					-
Common stock issuance	188,333	109,550			109,550
Stock option expense		3,000			3,000
Balance, September 30, 2021	4,682,910	\$ 3,521,432	\$ 587,457	\$ (87,577)	\$ 4,021,312

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September 30, 2021

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 2021.

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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 \$1,955,000 at September 30, 2021

Software

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

	<u>2021</u>	<u>2020</u>
Capitalized software	\$4,561,587	\$4,747,102
Less accumulated amortization	<u>2,104,289</u>	<u>2,483,236</u>
Capitalized software, net	<u>2,457,298</u>	<u>\$2,263,866</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 is currently working at full capacity, with all staff working remotely from their homes.