

**STAYTOP SYSTEMS, INC.**

**AUDITED FINANCIAL STATEMENTS**

**AND**

**INDEPENDENT AUDITORS' REPORT**

**MARCH 31, 2023 AND 2022**

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# Thompson, Hughes & Trollinger



Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Staytop Systems, Inc.  
Raleigh, North Carolina

### *Opinion*

We have audited the accompanying financial statements of Staytop Systems, Inc., which comprise the balance sheets as of March 31, 2023 and 2022, and the related statements of income and changes in retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Staytop Systems, Inc., as of March 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Staytop Systems, Inc., and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Financial Statements*

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



In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Staytop Systems, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

***Auditors' Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Staytop Systems, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Staytop Systems, Inc.'s ability to continue as a going concern for a reasonable period of time.



We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Thompson, Hughes & Trolinger P.L.L.C.*

May 17, 2023  
Alexandria, Virginia

**STAYTOP SYSTEMS, INC.**  
**BALANCE SHEETS**  
**March 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Current assets		
Cash	\$ 57,185	\$ 93,102
Accounts receivable	143,603	500,353
Prepaid expenses and advances	84,825	174,084
Total current assets	<u>285,613</u>	<u>767,539</u>
Property and equipment		
Computers and office equipment	36,903	36,903
Furniture and fixtures	5,540	5,540
	<u>42,443</u>	<u>42,443</u>
Accumulated depreciation	42,443	42,443
Net property and equipment	<u>-</u>	<u>-</u>
Other Assets		
Due from related parties	<u>1,837,269</u>	<u>1,837,269</u>
Total other assets	<u>1,837,269</u>	<u>1,837,269</u>
Total assets	<u>\$ 2,122,882</u>	<u>\$ 2,604,808</u>

**LIABILITIES AND STOCKHOLDER'S EQUITY**

Current liabilities		
Accounts payable	\$ 6,217	\$ 104,989
Accounts payable due from related party	387,450	657,276
Deferred revenue	87,000	174,000
Total current liabilities	<u>480,667</u>	<u>936,265</u>
Stockholder's equity		
Common stock	1,200	1,200
Retained earnings	<u>1,641,015</u>	<u>1,667,343</u>
Total stockholder's equity	<u>1,642,215</u>	<u>1,668,543</u>
Total liabilities and stockholder's equity	<u>\$ 2,122,882</u>	<u>\$ 2,604,808</u>

See notes to financial statements

**STAYTOP SYSTEMS, INC.**  
**STATEMENTS OF INCOME AND CHANGES IN RETAINED EARNINGS**  
**Years Ended March 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Revenue		
Consulting	\$ 79,261	\$ 784,394
Licensing	597,067	776,156
Total revenue	<u>676,328</u>	<u>1,560,550</u>
Expenses		
Bank fees	3,896	13,133
Depreciation	-	87
Insurance	580	7,110
Licenses	585,490	767,331
Occupancy	-	2,433
Payroll and related expenses	160	46,421
Postage	-	307
Professional fees	7,603	14,665
Programmer	76,785	742,377
Taxes	26,753	35,926
Telecommunications	1,389	2,800
Total expenses	<u>702,656</u>	<u>1,632,590</u>
Net loss	(26,328)	(72,040)
Retained earnings at beginning of year	<u>1,667,343</u>	<u>1,739,383</u>
Retained earnings at end of year	<u>\$ 1,641,015</u>	<u>\$ 1,667,343</u>

See notes to financial statements

**STAYTOP SYSTEMS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended March 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Cash flows from operating activities</b>		
Net loss	\$ (26,328)	\$ (72,040)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation	-	87
Change in:		
Accounts receivable	356,750	(162,519)
Prepaid expenses and advances	89,259	(164,159)
Accounts payable	(98,772)	(347,153)
Accounts payable due from related party	(269,826)	563,986
Payroll withholdings	-	(6,136)
Deferred revenue	<u>(87,000)</u>	<u>174,000</u>
Net cash used by operating activities	<u>(35,917)</u>	<u>(13,934)</u>
Net decrease in cash	(35,917)	(13,934)
Cash at beginning of year	<u>93,102</u>	<u>107,036</u>
Cash at end of year	<u>\$ 57,185</u>	<u>\$ 93,102</u>

See notes to financial statements



**STAYTOP SYSTEMS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2023 and 2022**

**1. Summary of Significant Accounting Policies and General Information**

Organization

Staytop Systems, Inc. (Staytop), a California corporation, is engaged in onsite information technology consulting. Staytop is a 100% subsidiary of Goldstone Technologies Limited (Goldstone). Staytop provides technically skilled engineers to manage complex projects for leading corporations around the world, integrating technology, organizational change, and business process improvements to help customers achieve their business objectives.

Basis of Presentation

The accompanying financial statements are presented on the accrual basis of accounting, which presents financial position, results of operations and cash flows in accordance with accounting principles generally accepted in the United States of America.

Concentration of Credit Risk

At times during the year, the Company maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment

Property and equipment are stated at cost. Property and equipment are depreciated over the estimated useful lives of the related assets, over three to seven years, using of the straight-line method. All property and equipment purchases of \$1,000 or more are capitalized. Staytop expenses repairs and maintenance costs that do not extend the lives of the assets. There is no depreciation expense for the year ended March 31, 2023. Depreciation expense is \$87 for the year ended March 31, 2022.

**STAYTOP SYSTEMS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2023 and 2022**

**1. Summary of Significant Accounting Policies and General Information (continued)**

Accounts Receivable

Accounts receivable includes amounts due from billed contracts. The allowance for doubtful accounts is based on management's evaluation of outstanding accounts receivable at the end of the year. There is no allowance for doubtful accounts as of March 31, 2023.

Deferred Revenue

Deferred revenue represents amount collected from customers for revenue not yet earned.

Revenue Recognition

Staytop accounts for revenue under ASC 606, wherein revenue is recognized when a contract has been executed, the contract price is fixed and determinable, delivery of services or products has occurred, and the collectability of the contract price is considered probable and can be reasonably estimated. The principal sources of revenue of Staytop are derived under time and materials contracts or licensing fees. Revenue under time and materials contracts is recognized when the services are rendered, based on hours incurred at contract rates plus materials expense incurred. Licensing fees are recognized ratably over the period of the license.

Income taxes

Staytop has a C Corporation status effective December 16, 1997.

Uncertain tax positions

For the year ended March 31, 2023 and 2022, Staytop has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements. The Federal Form 1120, U.S. Income Tax Return for a Corporation, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

Leases

During 2022, Staytop adopted the provisions of ASC 842, Leases. Under this topic, future lease payments which an entity is legally required to make are recorded as a liability. A corresponding right-of-use asset is also recorded. Both are recorded at the present value of all lease payments, amortized retroactively to the commencement of the lease. Present value is calculated at a rate implicit in the related lease. The amortization of the right-of-use asset and the interest imputed on the liability are recorded as lease expense. Staytop had no leases in 2023 or 2022 that required the recognition of an asset and liability.

**STAYTOP SYSTEMS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2023 and 2022**

**1. Summary of Significant Accounting Policies and General Information (continued)**

Reclassifications

Certain prior year expenses have been reclassified to conform to the current year presentation.

**2. Operating Leases**

Staytop had an agreement to lease office space from a director of the corporation on a month-to-month basis during 2022. During the year ended March 31, 2023, Staytop incurred no rent expense. During the year ended March 31, 2022, Staytop incurred rent expense of \$2,433.

**3. Related Party Activity**

Staytop purchased licenses with a value of approximately \$584,000 and \$760,000 from Goldstone, Staytop's parent company, during the years ended March 31, 2023 and 2022, respectively. Staytop owes Goldstone \$387,450 and \$657,276 for license fees at March 31, 2023 and 2022, respectively. In unrelated activity, Goldstone owes Staytop \$1,697,269 at both March 31, 2023 and 2022.

The relative of a director of Staytop owes Staytop \$140,000 at both March 31, 2023 and 2022.

**4. Revenue recognition**

Staytop follows ASU 2014-09 Revenue from Contracts with Customers and all subsequent amendments to the ASU (collectively, "ASC 606"), which (i) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (ii) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets. Staytop's revenues that are under ASC 606 come from time and material contracts and licensing fees.

The following are the revenues under AC 606, as March 31, 2023 and 2022:

	<u><b>2023</b></u>	<u><b>2022</b></u>
Revenue from delivered products and services	\$ 79,261	\$ 784,394
Revenue from licensing fees	\$ 597,067	\$ 776,156
Remaining performance obligations	\$ -	\$ -

**5. Subsequent Events**

Management has evaluated subsequent events through May 17, 2023, the date that the financial statements were available to be issued. No other significant subsequent events have been identified that would require adjustment of or disclosure in the accompanying financial statements.