

The Detroit Legal News Company

Consolidated Financial Statements

December 31, 2022 and 2021

The Detroit Legal News Company

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Independent Auditors' Report

To the Stockholders and Board of Directors of
The Detroit Legal News Company

Opinion

We have audited the consolidated financial statements of The Detroit Legal News Company and Subsidiary (the Company), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of income, stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021 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 (GAAP).

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 Consolidated Financial Statements section of our report. We are required to be independent of the Company 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 the Company'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company'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.

Baker Tilly US, LLP

Southfield, Michigan
April 13, 2023

The Detroit Legal News Company

Consolidated Balance Sheets
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 7,136,275	\$ 8,330,063
Accounts receivable, trade (net)	3,960,498	2,375,041
Inventories (Note 2)	946,017	276,018
Prepaid expenses and other current assets	171,890	144,513
Income taxes receivable	19,745	75,862
Total current assets	<u>12,234,425</u>	<u>11,201,497</u>
Property, Plant and Equipment, Net (Note 3)	<u>1,009,359</u>	<u>1,121,815</u>
Operating Lease Right-of-Use Assets (Note 7)	<u>153,573</u>	<u>291,181</u>
Total assets	<u>\$ 13,397,357</u>	<u>\$ 12,614,493</u>
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable, trade	\$ 170,147	\$ 152,391
Accrued expenses	743,374	492,099
Customer deposits	239,129	38,952
Current portion of operating lease liabilities (Note 7)	98,329	138,903
Unearned subscription revenue	52,746	67,131
Dividends payable	75,510	37,755
Total current liabilities	<u>1,379,235</u>	<u>927,231</u>
Long-Term Liabilities		
Long-term lease liability, net of current portion (Note 7)	62,822	161,151
Deferred income taxes (Note 10)	136,000	140,000
Total long-term liabilities	<u>198,822</u>	<u>301,151</u>
Total liabilities	<u>1,578,057</u>	<u>1,228,382</u>
Stockholders' Equity		
Common stock, \$10 par value per share 40,000 shares authorized 37,755 shares issued and outstanding	377,550	377,550
Additional paid-in capital	135,125	135,125
Retained earnings	10,647,084	10,472,351
Total controlling interest	<u>11,159,759</u>	<u>10,985,026</u>
Noncontrolling interest	<u>659,541</u>	<u>401,085</u>
Total stockholders' equity	<u>11,819,300</u>	<u>11,386,111</u>
Total liabilities and stockholders' equity	<u>\$ 13,397,357</u>	<u>\$ 12,614,493</u>

See notes to consolidated financial statements

The Detroit Legal News Company

Consolidated Statements of Income
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenue	\$ 21,190,061	\$ 9,895,380
Cost of Goods Sold	<u>11,894,774</u>	<u>6,044,421</u>
Gross profit	9,295,287	3,850,959
Selling, General and Administrative Expenses	<u>6,342,061</u>	<u>4,992,850</u>
Operating income (loss)	<u>2,953,226</u>	<u>(1,141,891)</u>
Other Income		
Employee Retention Credit (Note 4)	-	698,167
Paycheck Protection Program loan forgiveness (Note 8)	-	817,300
Other income	8,645	49,535
Interest income	<u>77,721</u>	<u>6,699</u>
Total other income	<u>86,366</u>	<u>1,571,701</u>
Income before taxes	3,039,592	429,810
Income Tax Benefit (Expense) (Note 10)	<u>(815,117)</u>	<u>94,828</u>
Net income	2,224,475	524,638
Less net income attributable to noncontrolling interest	<u>350,736</u>	<u>87,399</u>
Net income attributable to controlling interest	<u>\$ 1,873,739</u>	<u>\$ 437,239</u>
Basic and diluted earnings per share (Note 9)	<u>\$ 49.63</u>	<u>\$ 11.58</u>

See notes to consolidated financial statements

The Detroit Legal News Company

Consolidated Statements of Stockholders' Equity
Years Ended December 31, 2022 and 2021

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Noncontrolling Interest</u>	<u>Total Stockholders' Equity</u>
Balance, December 31, 2020	\$ 377,550	\$ 135,125	\$ 10,186,132	\$ 313,686	\$ 11,012,493
2021 net income	-	-	437,239	87,399	524,638
Dividends declared of \$4 per common share	-	-	(151,020)	-	(151,020)
Balance, December 31, 2021	377,550	135,125	10,472,351	401,085	11,386,111
2022 net income	-	-	1,873,739	350,736	2,224,475
Dividends declared of \$45 per common share (\$5.00 regular, \$40.00 special)	-	-	(1,699,006)	-	(1,699,006)
Distributions to noncontrolling interest	-	-	-	(92,280)	(92,280)
Balance, December 31, 2022	<u>\$ 377,550</u>	<u>\$ 135,125</u>	<u>\$ 10,647,084</u>	<u>\$ 659,541</u>	<u>\$ 11,819,300</u>

See notes to consolidated financial statements

The Detroit Legal News Company

Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From (Used in) Operating Activities		
Net income	\$ 2,224,475	\$ 524,638
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation	195,029	286,129
Decrease in allowance for doubtful accounts	(15,036)	(124,000)
Paycheck Protection Program forgiveness income	-	(817,300)
Noncash lease expense	137,608	143,294
Deferred taxes	(4,000)	(75,000)
Changes in assets and liabilities cash flows:		
Accounts receivable, trade	(1,570,421)	(697,973)
Inventories	(669,999)	(57,242)
Income taxes receivable	56,117	(17,772)
Prepaid expenses and other current assets	(27,377)	12,846
Deposits	-	38,928
Accounts payable, trade	17,756	37,212
Accrued expenses	251,275	(293,103)
Customer deposits	200,177	(11,157)
Unearned subscription revenue	(14,385)	4,985
Operating lease liabilities	(138,903)	(143,319)
Net cash from (used in) operating activities	<u>642,316</u>	<u>(1,188,834)</u>
Cash Flows From Used in Investing Activities		
Acquisition of property, plant and equipment	<u>(82,572)</u>	<u>(74,931)</u>
Cash Flows From (Used in) Financing Activities		
Dividends paid	(1,661,252)	(489,618)
Distributions to noncontrolling interest	(92,280)	-
Proceeds from Paycheck Protection Program loan	<u>-</u>	<u>817,300</u>
Net cash from (used in) financing activities	<u>(1,753,532)</u>	<u>327,682</u>
Net decrease in cash and cash equivalents	(1,193,788)	(936,083)
Cash and Cash Equivalents, Beginning	<u>8,330,063</u>	<u>9,266,146</u>
Cash and Cash Equivalents, Ending	<u>\$ 7,136,275</u>	<u>\$ 8,330,063</u>
Supplemental Cash Flow Disclosures		
Cash paid for income taxes	<u>\$ 763,000</u>	<u>\$ -</u>

See notes to consolidated financial statements

The Detroit Legal News Company

Notes to Consolidated Financial Statements
December 31, 2022 and 2021

1. Summary of Significant Accounting Policies

Description of Business

The Detroit Legal News Company operates in two lines of business. As Inland Press, it produces and sells sheet-fed commercial printing. In addition, the Company's subsidiary Detroit Legal News Publishing, LLC (DLNP), publishes legal newspapers. All newspapers are circulated primarily to subscribers in southern Michigan.

Rates charged for the publication of certain legal notices are regulated by the State of Michigan. On March 1, 2022, legislation took effect, allowing for an approximate 4.70% price increase for the publication of these notices. DLNP implemented the increase on approximately the same date the legislation became law.

Principles of Consolidation

The consolidated financial statements include the operations of The Detroit Legal News Company (the Company) and those of its 84.62%-owned subsidiary, DLNP, a limited liability corporation. All significant intercompany balances and transactions have been eliminated in consolidation. Pursuant to a member Operating Agreement, the members share in the net profits of DLNP in proportion to their respective ownership percentages.

Cash and Cash Equivalents

Cash equivalents consist principally of money market funds with an initial term of less than three months and FDIC insured certificates of deposits with initial terms of less than one year. For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of one year or less to be cash equivalents. The Company maintains certain cash in depository accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts.

Accounts Receivable

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company determines the allowance based on historical write-off experience together with individual review for collectability of all accounts with past due balances over 60 days. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does not have any off-balance-sheet credit exposure related to its customers. Accounts receivable, trade is shown on the accompanying consolidated balance sheets net of allowance for doubtful accounts of \$70,964 and \$86,000 at December 31, 2022 and 2021, respectively.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out (FIFO) method.

The Detroit Legal News Company

Notes to Consolidated Financial Statements
December 31, 2022 and 2021

Impairment of Long-Lived Assets

Long-lived assets, such as property, plant and equipment and right-of-use leased assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows, expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. There have been no such charges for the years ended December 31, 2022 and 2021.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is computed using a straight-line method over the estimated useful lives of the assets.

Revenue Recognition

Revenues are recognized when control of the promised goods or services is transferred to its customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. Revenues are recognized as performance obligations that are satisfied either over time, such as when a notice is published at a point in time, such as when a commercial job is completed.

DLNP revenue consists of display and classified advertising, legal notices and subscriptions. They recognize display and classified advertising and legal notice revenue upon placement in one of its publications and on one of its internet websites, which is DLNP's single performance obligation. This is the determined point in time that control of the promised good or service is transferred to its customers and in an amount that reflects the consideration DLNP expects to be entitled to in an exchange for those goods or services. A fee is also earned for performing various ancillary services associated with notice publication.

Subscription revenue is recognized as unearned subscriptions at the time of billing and is recognized as sales on a publication basis over the subscription period. Other revenues are recognized at the time services are rendered or upon shipment.

In addition, DLNP provides a service for its customers by arranging for the publication of legal notice ads for jurisdictions where they do not own or operate the newspaper. DLNP performs various services related to the publication of these legal notices. Publication revenues are recognized as each insertion or notice is published.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

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Uncertain Income Tax Positions

The tax effects from an uncertain tax position are recognized in the consolidated financial statements, only if the position is more likely than not to be sustained on audit, based on the technical merits of the position. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized, upon ultimate settlement with the relevant tax authority. The Company believes that no uncertain tax positions were taken during the current year, which would require recording an additional liability.

Use of Estimates

The preparation of the consolidated financial statements requires management of the Company to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amount of property, plant and equipment, valuation allowances for receivables, inventories and deferred income tax assets and assets and obligations related to employee benefits. Actual results could differ from those estimates.

Leases

The Company, in accordance with ASU 2016-02, *Leases* (Topic 842), recognizes the assets and liabilities that arise from leases on the balance sheet. At lease inception, leases are classified as either finance leases or operating leases with the associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating lease right-of-use assets are expensed on a straight-line basis as lease expense over the estimated useful life of the asset. Finance lease right-of-use assets are expensed as interest and amortization over the estimated useful life of the asset. The Company does not have any finance leases. The Company does not apply the recognition requirements to leases 12 months or less rather, short-term leases will continue to be recorded on a straight-line basis over the lease term. Additional required disclosures for Topic 842 are contained in Note 7.

Subsequent Events

The Company has evaluated subsequent events through April 13, 2023, which is the date the consolidated financial statements were approved and available to be issued. On March 1, 2023, legislation took effect allowing for an approximate 8.00% price increase for the publication of these notices.

Reclassification

For comparability, certain 2021 amounts have been reclassified to conform with classifications adopted in 2022.

2. Inventories

Inventories consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Paper, ink and plate material	\$ 867,780	\$ 210,384
Work in process	<u>78,237</u>	<u>65,634</u>
	<u>\$ 946,017</u>	<u>\$ 276,018</u>

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3. Property, Plant and Equipment

Property, plant and equipment consist of the following at December 31:

	<u>2022</u>	<u>2021</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	\$ 2,239,523	\$ 2,230,577	10 to 40 years
Machinery and equipment	8,253,020	8,179,393	3 to 15 years
Less accumulated depreciation	<u>(9,483,184)</u>	<u>(9,288,155)</u>	
Net property, plant and equipment	<u>\$ 1,009,359</u>	<u>\$ 1,121,815</u>	

The Company recorded depreciation expense of \$195,029 and \$286,129 for the years ended December 31, 2022 and 2021, respectively.

4. Employee Retention Credit

The Employee Retention Credit (ERC), which was included as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act and amended by the Consolidated Appropriations Act (CAA), the American Rescue Plan Act (ARPA) and the Infrastructure Investment and Jobs Act (IIJA), incentivizes employers severely impacted by the COVID-19 pandemic to retain their employees when they might otherwise find it difficult to do so. The fully refundable tax credit is allowed against the employer's share of employment taxes for qualified wages paid after March 12, 2020 and before October 1, 2021. Credits in excess of the tax amounts paid by an employer are treated as overpayments and are also refunded to the employer. The ERC is calculated as a percentage of qualified wages (as defined in the CARES Act, as amended) paid by an eligible employer. The Company qualified for the ERC as it experienced a significant decline in gross receipts (for 2021, defined as a 20% decline in gross receipts when compared to the same quarter in 2019). The Company averaged less than 100 full-time employees (FTEs) during 2019, therefore, it was considered a small employer 2021. As a small employer, all of the Company's otherwise qualified wages were eligible for the ERC.

For 2021, the ERC equaled 70% of an employee's qualified wages up to \$10,000 per employee per calendar quarter with a maximum annual credit of \$21,000 for each employee.

DLNP claimed credits of \$698,167 on timely filed 941s for the year ended December 31, 2021. The credits were received as of December 31, 2021 and the correlated income from the ERC was recognized in the other income section of the accompanying 2021 consolidated statement of income.

5. Defined Contribution Plan

The Company sponsors a 401(k) savings plan which covers substantially all Inland Press employees. The plan is funded by employee contributions through salary reductions. The Company pays all administrative costs of the plan. The Company also funds employer contributions to its defined contribution 401(k) plan for eligible salaried employees. Additional employer contributions are made to the Company's respective union employee's 401(k) accounts as a result of negotiated labor contracts. Total employer contributions for both union and nonunion employees totaled \$262,158 in 2022 and \$222,091 in 2021.

DLNP sponsors a 401(k) savings plan which covers substantially all DLNP employees. The plan is funded by employee contributions through salary reductions. DLNP contributes 3% of compensation to the plan for each employee. DLNP contributions were \$46,317 in 2022 and \$44,414 in 2021. DLNP pays all administrative costs of the plan.

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Notes to Consolidated Financial Statements
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6. Line of Credit

The Company has a \$3,000,000 line of credit available at the bank's prime rate. This line of credit expires on June 1, 2023. At December 31, 2022 and 2021, no amounts were borrowed under this line of credit.

7. Operating Leases

Right-of-use (ROU) assets represent the Company's right to use an underlying asset for the lease term, while lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the commencement date of a lease based on the net present value of lease payments over the lease term.

Some of the Company's leases include options to renew or terminate the lease. The exercise of lease renewal or early termination options is at the Company's sole discretion. The Company regularly evaluates the renewal and early termination options and when they are reasonably certain of exercise, the Company includes such options in the lease term.

In determining the discount rate used to measure the right-of-use assets and lease liabilities, the Company uses the rate implicit in the lease or if not readily available, the Company uses the Company's incremental borrowing rate. The Company's incremental borrowing rate is based on an estimated secured rate comprised of a risk-free rate plus a credit spread as secured by the Company's assets. Determining a credit spread as secured by the Company's assets may require significant judgment.

Associated with the operating lease right-of-use assets and lease liabilities on the accompanying statements of financial position, the Company leases various office spaces and copiers with terms expiring through 2025. Below is a summary of expenses incurred pertaining to leases during the years ended December 31, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Operating leases expense	\$ 146,579	\$ 165,312
Short-term lease expense	<u>39,350</u>	<u>38,597</u>
Total lease expense	<u>\$ 185,929</u>	<u>\$ 203,909</u>

The ROU assets and lease liabilities as of December 31, 2022 and 2021 were calculated using a weighted-average incremental borrowing rate of 4.00%. As of December 31, 2022 and 2021, the weighted average remaining lease term is 1.92 and 2.52 years, respectively.

The following table includes supplemental cash flow and noncash information related to the leases for the year ended December 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 147,874

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Future minimum lease payments for office spaces and copiers under noncancelable operating leases, excluding month-to-month, as of December 31, 2022:

Years ending December 31:	
2023	\$ 102,412
2024	39,550
2025	<u>25,200</u>
Total undiscounted lease payments	167,162
Less imputed interest	6,011
Less current portion of operating lease liabilities	<u>98,329</u>
Long-term operating lease liabilities	<u>\$ 62,822</u>

8. Paycheck Protection Program (PPP)

On January 28, 2021, DLNP received loan proceeds in the amount of \$404,900 under the Paycheck Protection Program (PPP) which was established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act (as amended by the Economic Aid Act (EAA) on December 27, 2020) and is administered through the Small Business Administration (SBA). On May 11, 2021, DLNP also received a second draw PPP loan in the amount of \$412,400. The PPP provides loans to qualifying businesses in amounts up to two and a half times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying businesses to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA and are forgivable after a "covered period" (of eight to twenty-four weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent and utilities.

DLNP met the PPP's loan forgiveness requirements for both PPP loans acquired during 2021, and therefore, applied for forgiveness during 2021. Legal release was received during July and November of 2021 for each PPP loan, respectively, therefore, they recorded forgiveness income of \$817,300 within the accompanying 2021 consolidated statement of operation for the year ended December 31, 2021.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act (as amended by the EAA), DLNP is required to maintain its PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

9. Basic and Diluted Earnings Per Share

Basic earnings per share (EPS) was computed by dividing net income by 37,755, the weighted average number of shares of common stock outstanding during the year. Diluted EPS would not differ from basic EPS as the Company has no securities or other contracts to issue common stock that would have a potentially dilutive effect on the EPS calculation.

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10. Income Taxes

Income tax benefit (expense) for the years ended December 31 consists of:

	<u>2022</u>	<u>2021</u>
Current federal income tax benefit (expense)	\$ (621,595)	\$ 11,546
Current state and local income tax benefit (expense)	(197,522)	8,282
Deferred taxes	4,000	75,000
	<u>\$ (815,117)</u>	<u>\$ 94,828</u>

Income tax benefit (expense) as reported differs from the amount computed by applying the U.S. federal income tax rate of 21% for the tax years ended December 31, 2022 and 2021, to income before income taxes and noncontrolling interest as a result of the following:

	<u>2022</u>	<u>2021</u>
Computed expected tax benefit (expense)	\$ (630,863)	\$ (57,626)
Increase (reduction) in income tax benefit resulting from:		
Noncontrolling interest in earnings of DLNP	73,613	18,354
Local income tax, net of federal benefit	(156,042)	6,543
DLNP step down in basis from member redemption	(7,166)	(7,166)
Permanent differences	(3,774)	137,328
Federal and state net operating loss	(75,076)	-
Other, net	(15,809)	(2,605)
	<u>\$ (815,117)</u>	<u>\$ 94,828</u>

The Detroit Legal News Company

Notes to Consolidated Financial Statements
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The tax effects of temporary differences at December 31, 2022 and 2021, that give rise to deferred tax assets and liabilities are presented below:

	<u>2022</u>	<u>2021</u>
Deferred tax assets:		
Accrued vacation pay	\$ 9,000	\$ 8,000
Allowance for doubtful accounts	15,000	18,000
Inventory	37,000	20,000
Goodwill	-	8,000
Net operating loss	-	73,000
Customer deposits	62,000	10,000
Other	12,000	11,000
	<u>135,000</u>	<u>148,000</u>
Total deferred tax assets		
Deferred tax liabilities:		
Unbilled revenue	37,000	12,000
Accumulated depreciation	120,000	157,000
Prepaid insurance	16,000	15,000
DLNP step down in basis	97,000	104,000
Other	1,000	-
	<u>271,000</u>	<u>288,000</u>
Total deferred tax liabilities		
Net deferred tax liability	<u>\$ (136,000)</u>	<u>\$ (140,000)</u>

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets are deductible, management believes it is more likely than not the Company will realize the benefits of these deductible differences.

The Company is subject to taxation in various jurisdictions. management believes that all tax positions taken on the Company's returns during the years that remain open to examination would more likely than not be sustained under examination by federal and state authorities. Accordingly, the Company has not recorded any liability for unrecognized tax benefits related to certain tax positions taken on its various income tax returns. Interest and penalties related to income tax liabilities, if and when applicable, would be included as a component of income tax expense in the accompanying consolidated statements of income.

11. Related-Party Transactions

In the past, DLNP has sold advertising space for legal notices to an entity related to one of its noncontrolling members, pursuant to an exclusivity agreement with that entity. As of the end of 2014, the noncontrolling member is no longer related to that entity, however, the exclusivity agreement with the entity remains in effect by its terms until the member formerly related to that entity or successor entity, is no longer a member of DLNP.