The Detroit Legal News Company

Consolidated Financial Statements

December 31, 2025 and 2024

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 (the Company), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, 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, 2025 and 2024 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.

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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.



Southfield, Michigan
March 18, 2026

The Detroit Legal News Company

Consolidated Balance Sheets
December 31, 2025 and 2024

	2025	2024
Assets		
Current Assets		
Cash and cash equivalents	$ 4,263,326	$ 3,673,750
Accounts receivable, trade (net)	4,133,218	5,301,985
Accounts receivable, other	-	19,809
Inventories (Note 3)	525,997	533,250
Prepaid expenses and other current assets	249,039	206,027
Income taxes receivable	275,100	649,821
Total current assets	9,446,680	10,384,642
Property, Plant and Equipment, Net (Note 4)	3,515,382	3,655,267
Operating Lease Right-of-Use Assets (Note 9)	698,671	254,112
Intangible Assets, Net (Note 5)	1,162,286	1,564,476
Total assets	$ 14,823,019	$ 15,858,497
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable, trade	$ 133,334	$ 365,358
Accrued expenses	791,386	971,788
Seller note payable (Note 8)	-	305,870
Current portion of operating lease liabilities (Note 9)	146,227	99,315
Unearned subscription revenue	50,999	52,262
Dividends payable	264,285	1,019,385
Total current liabilities	1,386,231	2,813,978
Long-Term Liabilities		
Operating lease liability, net of current portion (Note 9)	575,250	157,825
Deferred income taxes (Note 11)	391,000	584,000
Total long-term liabilities	966,250	741,825
Total liabilities	2,352,481	3,555,803
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	11,467,079	11,300,847
Total controlling interest	11,979,754	11,813,522
Noncontrolling interest	490,784	489,172
Total stockholders' equity	12,470,538	12,302,694
Total liabilities and stockholders' equity	$ 14,823,019	$ 15,858,497

See notes to consolidated financial statements

The Detroit Legal News Company

Consolidated Statements of Income
Years Ended December 31, 2025 and 2024

	2025	2024
Revenue	$ 21,445,593	$ 25,214,196
Cost of Goods Sold	12,708,018	14,596,290
Gross profit	8,737,575	10,617,906
Selling, General and Administrative Expenses	7,679,744	9,185,093
Operating income	1,057,831	1,432,813
Other Income (Expense)		
Other income	32,186	141,204
Interest income	137,684	203,000
Interest expense	(1,789)	(44,165)
Total other income, net	168,081	300,039
Income before taxes	1,225,912	1,732,852
Income Tax Expense (Note 11)	(182,753)	(306,422)
Net income	1,043,159	1,426,430
Less net income attributable to noncontrolling interest	386,112	341,008
Net income attributable to controlling interest	$ 657,047	$ 1,085,422
Basic and diluted earnings per share (Note 10)	$ 17.40	$ 28.75

See notes to consolidated financial statements

The Detroit Legal News Company

Consolidated Statements of Stockholders' Equity
Years Ended December 31, 2025 and 2024

	Common Stock	Additional Paid-in Capital	Retained Earnings	Noncontrolling Interest	Total Stockholders' Equity
Balance, December 31, 2023	$ 377,550	$ 135,125	$ 11,461,340	$ 763,364	$ 12,737,379
Net income	-	-	1,085,422	341,008	1,426,430
Dividends declared of $8 per common share (plus a one time $25 per share)	-	-	(1,245,915)	-	(1,245,915)
Distribution to noncontrolling interests	-	-	-	(615,200)	(615,200)
Balance, December 31, 2024	377,550	135,125	11,300,847	489,172	12,302,694
Net income	-	-	657,047	386,112	1,043,159
Dividends declared of $8 per common share (plus a one time $5 per share)	-	-	(490,815)	-	(490,815)
Distributions to noncontrolling interests	-	-	-	(384,500)	(384,500)
Balance, December 31, 2025	$ 377,550	$ 135,125	$ 11,467,079	$ 490,784	$ 12,470,538

See notes to consolidated financial statements

The Detroit Legal News Company

Consolidated Statements of Cash Flows
Years Ended December 31, 2025 and 2024

	2025	2024
Cash Flows From Operating Activities		
Net income	$ 1,043,159	$ 1,426,430
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation	374,114	373,214
Amortization of intangible assets	402,190	388,857
Increase (decrease) in allowance for doubtful accounts	(4,077)	26,110
Noncash lease expense	171,350	130,406
Deferred taxes	(193,000)	(51,000)
Gain on disposal of equipment	-	(115,000)
Goodwill impairment charge	-	612,000
Changes in assets and liabilities cash flows:		
Accounts receivable, trade	1,172,844	(1,488,553)
Accounts receivable, other	19,809	(19,809)
Inventories	7,253	208,199
Income taxes receivable	374,721	(426,126)
Prepaid expenses and other current assets	(43,012)	(3,895)
Accounts payable, trade	(232,024)	6,334
Accrued expenses	(180,401)	531,655
Unearned subscription revenue	(1,263)	(4,986)
Operating lease liabilities	(151,572)	(131,619)
Net cash flows from operating activities	2,760,091	1,462,217
Cash Flows Used in Investing Activities		
Proceeds from sale of property, plant and equipment	-	115,000
Cash paid for acquisition	-	(700,000)
Acquisition of property, plant and equipment	(234,230)	(234,252)
Acquisition of intangible assets	-	(60,000)
Net cash used in investing activities	(234,230)	(879,252)
Cash Flows Used in Financing Activities		
Dividends paid	(1,245,915)	(302,040)
Distributions to noncontrolling interest	(384,500)	(615,200)
Payments on seller note payable	(305,870)	(1,494,130)
Net cash used in financing activities	(1,936,285)	(2,411,370)
Net increase (decrease) in cash and cash equivalents	589,576	(1,828,405)
Cash and Cash Equivalents, Beginning	3,673,750	5,502,155
Cash and Cash Equivalents, Ending	$ 4,263,326	$ 3,673,750
Supplemental Cash Flow Disclosures		
Cash paid for interest	$ 1,789	$ 44,165
Cash paid for state income taxes	$ 21,032	$ 215,000
Cash paid for federal income taxes	$ -	$ 496,000
Noncash Investing and Financing Activities		
Seller's note associated with business acquisition	$ -	$ 1,800,000

See notes to consolidated financial statements

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 commercial printing services. In addition, the Company's subsidiary Detroit Legal News Publishing, LLC (DLNP), publishes 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, 2025, legislation took effect, allowing for an approximate 3.00% 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

The Company extends credit to customers in ordinary course of business. The delinquency status of these accounts is determined based on contractual terms of sale. The Company recognizes an allowance for credit losses for trade and other receivables to present the net amount expected to be collected as of the balance sheet date. Such allowance is based on the credit losses expected to arise over the life of the asset which includes consideration of past events and historical loss experience, current events and also future events based on our expectation as of the balance sheet date. Receivables are written off when the Company determined that such receivables are deemed uncollectible. The Company pools its receivables based on similar risk characteristics in estimating its expected credit losses. In situations where a receivable does not share the same risk characteristics with other receivables, the Company measures those receivables individually. The Company also continuously evaluates such pooling decisions and adjusts as needed from period to period as risk characteristics change.

The Company utilizes the loss rate method in determining its lifetime expected credit losses on its receivables. This method is used for calculating an estimate of losses based primarily on the Company's historical loss experience. In determining its loss rates, the Company evaluates information related to its historical losses, adjusted for current conditions and further adjusted for the period of time that can be reasonably forecasted. Qualitative and quantitative adjustments related to current conditions and the reasonable and supportable forecast period consider all the following past due receivables, the customer creditworthiness, changes in the terms of receivables, effect of other external forces such as competition, and legal and regulatory requirements on the level of estimated credit losses in the existing receivables. For receivables that are not expected to be collected within the normal business cycle, the Company considers current and forecasted direction of the economic and business environment.

The Company's gross accounts receivable balance is $4,202,286 and $5,375,131 and the allowance for doubtful accounts is $69,068 and $73,146 as of December 31, 2025 and 2024, respectively. As of January 1, 2024, gross accounts receivable was $3,886,578 and the allowance for doubtful accounts was $47,036.

Concentrations of Credit Risk

Financial instruments which potentiality subject the Company to concentrations of credit risk consist primarily of trade receivables. The Company generally does not require collateral from its customers. Credit risk with such customers is considered by management to be limited due to general creditworthiness of its customers, procedures to monitor customers' payment history and adequate provision for uncollectible accounts.

Inventories

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

Goodwill

The recorded amounts of goodwill from the Company's business acquisition (refer to Note 2) is based on management's best estimate of the fair values of assets acquired and liabilities assumed at the date of acquisition. Goodwill recognized by the Company is tested by the Company annually or more frequently if events or changes in circumstances indicate the asset might be impaired. The impairment test consists of a comparison of the fair value of goodwill with the carrying amount of the reporting unit to which it is assigned, which is Inland Press. Fair value of the Company is determined using an average of four different methodologies, including 1) discounted cash flow method, 2) guideline public company approach, 3) guideline transaction method and 4) quoted market price method. If the carrying amount of goodwill exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess. Upon completion of the aforementioned annual goodwill impairment assessment as of December 31 2024, the Company determined its carrying value exceeded its fair value and consequently recognized a goodwill impairment charge of $612,000 which is included in selling, general and administrative expenses on the accompanying statement of income for the year ended December 31, 2024.

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. Major expenditures for property and equipment are capitalized. Maintenance, repairs and minor renewals, which do not improve or extend the life of the respective assets, are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

Intangible Assets and Other Long-Lived Assets

Intangible assets consists of customer relationships, customer lists and trade names that were acquired through various business combinations and asset acquisitions occurring in prior years. Intangible assets are amortized on a straight-line basis over their estimated useful lives ranging from two to seven years.

Long-lived assets, including intangible assets, 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 long-lived assets for the years ended December 31, 2025 and 2024.

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 are satisfied. For DLNP, performance obligations are satisfied as notices are published; this may be over time if contracted for multiple insertions. For Inland Press, performance obligations are satisfied at a point in time which is when a commercial job is completed and shipped.

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.

Leases

The Company, in accordance with ASU 2016-02, *Leases (Topic 842)*, recognizes the assets and liabilities that arise from leases on the consolidated 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 9.

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.

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.

Recently Adopted Accounting Standards

During December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosure*s. ASU No. 2023-09 enhances the transparency and decision usefulness of income tax disclosures. The amendments in this ASU require consistent categories and greater disaggregation of information in the rate reconciliation and income taxes paid disaggregated by jurisdiction. The Company adopted this ASU effective January 1, 2025. The amendments were applied on a prospective basis and, accordingly, prior period disclosures have not been adjusted.

Subsequent Events

The Company has evaluated subsequent events through March 18, 2026, which is the date the consolidated financial statements were approved and available to be issued, for events requiring recording or disclosure in the Company's consolidated financial statements.

2. Business Acquisition

On February 14, 2024, the Company acquired 100% of the membership interests of Graphics East, Inc. in order to provide capital to increase revenue growth, primarily through expansion. The aggregate purchase price was approximately $2,500,000 which was funded through available cash on hand and a seller note payable.

The following table summarizes the consideration paid, and the fair values of assets acquired at the acquisition date (rounded to the nearest '000):

Consideration:	
Cash	$ 700,000
Seller note payable	1,800,000
Fair value of total consideration transferred	$ 2,500,000
Recognized amounts of net identifiable assets acquired:	
Property, plant and equipment	$ 178,000
Trade names	150,000
Customer relationships	1,560,000
Total identifiable net assets acquired	1,888,000
Goodwill	612,000
Net assets acquired	$ 2,500,000

The fair value assigned to property, plant and equipment was valued equal to net book value. These measurements were based on unobservable inputs that are corroborated by market data.

Trade names were valued using a relief-from-royalty method discounted at rates considered appropriate given the inherent risks associated with these assets.

Customer relationships were valued using the fair value of the existing customer relationships against after-tax earnings and the present value factor.

Goodwill arising from the acquisition resulted from the excess of the purchase price over the fair values assigned to the net assets acquired and was based on the Company's future growth and earnings potential. As disclosed in Note 1, as of December 31, 2024, the Company determined its carrying value exceeded its fair value and consequently recognized a goodwill impairment charge of $612,000. The goodwill is not expected to be deductible for tax purposes.

The Company paid approximately $47,000 in transaction fees related to the above acquisition. These are included in selling, general and administrative expenses within the accompanying consolidated statement of income for the year ended December 31, 2024.

3. Inventories

Inventories consist of the following at December 31:

	2025	2024
Paper, ink and plate material	$ 353,775	$ 200,668
Work in process	172,222	332,582
	$ 525,997	$ 533,250

4. Property, Plant and Equipment

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

	2025	2024	Estimated Useful Lives
Buildings and improvements	$ 2,276,518	$ 2,096,399	10 to 40 years
Machinery and equipment	7,510,457	7,456,347	3 to 15 years
Less accumulated depreciation	(6,271,593)	(5,897,479)	
Net property, plant and equipment	$ 3,515,382	$ 3,655,267	

The Company recorded depreciation expense of $374,114 and $373,214 for the years ended December 31, 2025 and 2024, respectively.

5. Intangible Assets

Intangible assets consist of the following at December 31:

	2025	2024
Customer relationships	$ 1,560,000	$ 1,560,000
Trade names	150,000	150,000
Customer lists	260,000	260,000
Less accumulated amortization	(807,714)	(405,524)
	$ 1,162,286	$ 1,564,476

The Company recorded amortization expense of $402,190 and $388,857 for the years ended December 31, 2025 and 2024, respectively, which is included in selling, general and administrative expenses within the accompanying consolidated statements of income for the years ended December 31, 2025 and 2024.

The estimated amortization expense related to intangible assets for the years ending after December 31, 2025 is as follows:

2026	$ 258,857
2027	228,857
2028	228,857
2029	222,857
2030	222,858
Total	$ 1,162,286

6. Defined Contribution Plan and Commitments

The Company sponsors a 401(k) savings plan which covers substantially all Inland Press and DLNP 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 employees, as defined in the plan document. Additional employer contributions are made to the Company's respective union employee's 401(k) accounts as a result of negotiated labor contracts. Approximately 55% (as of December 31, 2025) of Inland Press' workforce is represented by two labor unions with separate collective bargaining agreements. Both agreements expire in November 2026. Total Inland Press employer contributions for both union and nonunion employees totaled $365,447 and $395,991 for the years ended December 31, 2025 and 2024, respectively. DLNP contributions were $56,151 and $52,245 for the years ended December 31, 2025 and 2024, respectively.

7. 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, 2026 and is expected to be renewed. At December 31, 2025 and 2024, no amounts were borrowed under this line of credit.

8. Seller Note Payable

As disclosed in Note 2, the Company executed a business acquisition during 2024 in which a portion of the total consideration paid was funded by a seller note payable. The original amount of the seller note payable was $1,800,000. The note required monthly principal and interest payments totaling $153,830 with interest accruing at a rate of 4.68%. As of December 31, 2024, the balance on the seller note payable was and $305,870, all of which was paid on February 15, 2025 upon maturity.

9. Operating Leases

Associated with the operating lease right-of-use assets and lease liabilities on the accompanying consolidated balance sheets, the Company leases various office spaces and copiers with terms expiring through 2032.

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.

The discount rate used to measure the right-of-use assets and lease liabilities is the rate implicit in the lease or, when not readily available, the Company uses their incremental borrowing rate. The Company determines its incremental borrowing rate based on the rate of interest it would incur to borrow funds on a collateralized basis over a term similar to the lease term and in an amount equal to the lease payments. In determining the incremental borrowing rate, the Company considers its credit profile, the lease term, the economic environment in which the lease is denominated and available observable market data, including borrowing arrangements and market interest rates. The incremental borrowing rate is applied consistently to leases with similar characteristics. Determining the incremental borrowing rate may require significant judgment.

The following table summarizes the lease right-of-use assets and lease liabilities as of December 31:

	2025	2024
Right-of-use assets:		
Operating leases	$ 698,671	$ 254,112
Lease liabilities:		
Current operating lease liabilities	$ 146,227	$ 99,315
Long-term operating lease liabilities	575,250	157,825
Total lease liabilities	$ 721,477	$ 257,140

Below is a summary of expenses incurred pertaining to leases during the years ended December 31:

	2025	2024
Operating leases expense	$ 226,765	$ 152,534
Short-term lease expense	-	98,726
Total lease expense	$ 226,765	$ 251,260

The ROU assets and lease liabilities as of December 31, 2025 and 2024 were calculated using a weighted-average incremental borrowing rate of 7.01% and 7.30%, respectively. As of December 31, 2025 and 2024, the weighted average remaining lease term is 5.26 and 3.07 years, respectively.

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

Cash paid for amounts included in the measurement of lease liabilities:	2025	2024
Operating cash flows from operating leases	$ 199,057	$ 153,705
ROU assets obtained in exchange for lease liabilities	615,909	-

Future minimum lease payments for office spaces and copiers under noncancelable operating leases, excluding month-to-month, for the years ending after December 31:

2026	$ 190,824
2027	172,966
2028	147,230
2029	111,633
2030	111,843
Thereafter	124,717
Total undiscounted lease payments	859,213
Less present value discount	137,736
Total operating lease liabilities	$ 721,477

10. 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.

11. Income Taxes

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

	2025	2024
Current federal income tax expense	$ (334,777)	$ (290,318)
Current state and local income tax expense	(40,976)	(67,104)
Change in deferred taxes	193,000	51,000
	$ (182,753)	$ (306,422)

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 year ended December 31, 2025, to income before income taxes and noncontrolling interest as a result of the following:

Computed expected tax expense	$ (257,442)	(21.0)%
Increase (reduction) in income tax benefit resulting from:		
Noncontrolling interest in earnings of DLNP	81,084	6.6
Local income tax, net of federal benefit	(32,371)	(2.6)
DLNP step down in basis from member redemption	(7,166)	(0.6)
Permanent differences	(7,361)	(0.6)
Return to provision true-up	65,857	5.4
Other, net	(25,354)	(2.1)
Income tax expense	$ (182,753)	(14.9)%

The tax effects of temporary differences at December 31, that give rise to deferred tax assets and liabilities are presented below:

	2025	2024
Deferred tax assets:		
Accrued vacation pay	$ 6,000	$ 10,000
Allowance for doubtful accounts	16,000	16,000
Inventory	35,000	37,000
Customer deposits	41,000	-
Goodwill amortization	278,000	167,000
Other	14,000	14,000
Total deferred tax assets	390,000	244,000
Deferred tax liabilities:		
Unbilled revenue	(40,000)	(33,000)
Accumulated depreciation	(649,000)	(695,000)
Prepaid insurance	(18,000)	(18,000)
DLNP step down in basis	(74,000)	(82,000)
Total deferred tax liabilities	(781,000)	(828,000)
Net deferred tax liability	$ (391,000)	$ (584,000)

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.

The Company is subject to taxation in the U.S. and various state jurisdictions. The Company remains subject to examination by U.S. federal authorities for the years 2022 to 2025 and state tax authorities for the years 2021 to 2025. There are no pending examinations in any jurisdictions.

12. 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.