

Form 5500 Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Annual Return/Report of Employee Benefit Plan This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6057(b) and 6058(a) of the Internal Revenue Code (the Code). ▶ Complete all entries in accordance with the instructions to the Form 5500.	OMB Nos. 1210-0110 1210-0089 2022 This Form is Open to Public Inspection
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Part I	Annual Report Identification Information
For calendar plan year 2022 or fiscal plan year beginning 01/01/2022 and ending 12/31/2022	
A	This return/report is for: ☐ a multiemployer plan ☐ a multiple-employer plan (Filers checking this box must attach a list of participating employer information in accordance with the form instructions.) ☒ a single-employer plan ☐ a DFE (specify) _____
B	This return/report is: ☐ the first return/report ☐ the final return/report ☐ an amended return/report ☐ a short plan year return/report (less than 12 months)
C	If the plan is a collectively-bargained plan, check here. ▶ ☐
D	Check box if filing under: ☒ Form 5558 ☐ automatic extension ☐ the DFVC program ☐ special extension (enter description)
E	If this is a retroactively adopted plan permitted by SECURE Act section 201, check here. ▶ ☐

Part II	Basic Plan Information—enter all requested information
1a	Name of plan STATE COLLECTION SERVICE, INC. 401(K) PROFIT SHARING PLAN
1b	Three-digit plan number (PN) ▶ 001
1c	Effective date of plan 01/01/1983
2a	Plan sponsor's name (employer, if for a single-employer plan) Mailing address (include room, apt., suite no. and street, or P.O. Box) City or town, state or province, country, and ZIP or foreign postal code (if foreign, see instructions) STATE COLLECTION SERVICE, INC. 2509 SOUTH STOUGHTON ROAD MADISON, WI 53716
2b	Employer Identification Number (EIN) 39-0788995
2c	Plan Sponsor's telephone number 608-661-3000
2d	Business code (see instructions) 561440

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	Filed with authorized/valid electronic signature.	10/03/2023	DOUG SPAETE
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE			
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE

For Paperwork Reduction Act Notice, see the Instructions for Form 5500.

Form 5500 (2022)
v. 220413

3a Plan administrator's name and address ☒ Same as Plan Sponsor		3b Administrator's EIN
		3c Administrator's telephone number
4 If the name and/or EIN of the plan sponsor or the plan name has changed since the last return/report filed for this plan, enter the plan sponsor's name, EIN, the plan name and the plan number from the last return/report: a Sponsor's name c Plan Name		4b EIN 4d PN
5 Total number of participants at the beginning of the plan year		5 643
6 Number of participants as of the end of the plan year unless otherwise stated (welfare plans complete only lines 6a(1) , 6a(2) , 6b , 6c , and 6d).		
a(1) Total number of active participants at the beginning of the plan year		6a(1) 572
a(2) Total number of active participants at the end of the plan year		6a(2) 608
b Retired or separated participants receiving benefits		6b 5
c Other retired or separated participants entitled to future benefits.....		6c 44
d Subtotal. Add lines 6a(2) , 6b , and 6c		6d 657
e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.		6e 0
f Total. Add lines 6d and 6e		6f 657
g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item).....		6g 407
h Number of participants who terminated employment during the plan year with accrued benefits that were less than 100% vested.....		6h 28
7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item)		7
8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristics Codes in the instructions: 2A 2E 2F 2G 2J 2K 2T 3D		
b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristics Codes in the instructions:		
9a Plan funding arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor		9b Plan benefit arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor
10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)		
a Pension Schedules (1) ☒ R (Retirement Plan Information) (2) ☐ MB (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary (3) ☐ SB (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary		b General Schedules (1) ☒ H (Financial Information) (2) ☐ I (Financial Information – Small Plan) (3) ☐ A (Insurance Information) (4) ☒ C (Service Provider Information) (5) ☐ D (DFE/Participating Plan Information) (6) ☐ G (Financial Transaction Schedules)

Part III Form M-1 Compliance Information (to be completed by welfare benefit plans)

11a If the plan provides welfare benefits, was the plan subject to the Form M-1 filing requirements during the plan year? (See instructions and 29 CFR 2520.101-2.) ☐ Yes ☐ No

If "Yes" is checked, complete lines 11b and 11c.

11b Is the plan currently in compliance with the Form M-1 filing requirements? (See instructions and 29 CFR 2520.101-2.) ☐ Yes ☐ No

11c Enter the Receipt Confirmation Code for the 2022 Form M-1 annual report. If the plan was not required to file the 2022 Form M-1 annual report, enter the Receipt Confirmation Code for the most recent Form M-1 that was required to be filed under the Form M-1 filing requirements. (Failure to enter a valid Receipt Confirmation Code will subject the Form 5500 filing to rejection as incomplete.)

Receipt Confirmation Code _____

SCHEDULE C (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Service Provider Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110
		2022
		This Form is Open to Public Inspection.

For calendar plan year 2022 or fiscal plan year beginning 01/01/2022 and ending 12/31/2022	
A Name of plan STATE COLLECTION SERVICE, INC. 401(K) PROFIT SHARING PLAN	B Three-digit plan number (PN) ▶ 001
C Plan sponsor's name as shown on line 2a of Form 5500 STATE COLLECTION SERVICE, INC.	D Employer Identification Number (EIN) 39-0788995

Part I	Service Provider Information (see instructions)
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You must complete this Part, in accordance with the instructions, to report the information required for **each person** who received, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of monetary value) in connection with services rendered to the plan or the person's position with the plan during the plan year. If a person received **only** eligible indirect compensation for which the plan received the required disclosures, you are required to answer line 1 but are not required to include that person when completing the remainder of this Part.

1 Information on Persons Receiving Only Eligible Indirect Compensation

- a Check "Yes" or "No" to indicate whether you are excluding a person from the remainder of this Part because they received only eligible indirect compensation for which the plan received the required disclosures (see instructions for definitions and conditions)..... ☒ Yes ☐ No
- b If you answered line 1a "Yes," enter the name and EIN or address of each person providing the required disclosures for the service providers who received only eligible indirect compensation. Complete as many entries as needed (see instructions).

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation
TRUST POINT INC.
39-0415000

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation
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2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

TRUST POINT INC.

39-0415000

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
15 21 24 28 37 38 51 64	NONE	76582	Yes ☐ No ☒	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

Part I Service Provider Information (continued)

3. If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	

Part II Service Providers Who Fail or Refuse to Provide Information

4 Provide, to the extent possible, the following information for each service provider who failed or refused to provide the information necessary to complete this Schedule.

(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
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(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide

Part III Termination Information on Accountants and Enrolled Actuaries (see instructions)
(complete as many entries as needed)

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

SCHEDULE H (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Financial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code). ► File as an attachment to Form 5500.	OMB No. 1210-0110 2022 This Form is Open to Public Inspection
For calendar plan year 2022 or fiscal plan year beginning <u>01/01/2022</u> and ending <u>12/31/2022</u>		
A Name of plan <u>STATE COLLECTION SERVICE, INC. 401(K) PROFIT SHARING PLAN</u>	B Three-digit plan number (PN) ►	<u>001</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>STATE COLLECTION SERVICE, INC.</u>	D Employer Identification Number (EIN) <u>39-0788995</u>	

Part I	Asset and Liability Statement		
1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.			
Assets		(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash.....		1a	351250
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions.....		1b(1)	476470490729
(2) Participant contributions.....		1b(2)	28213
(3) Other.....		1b(3)	
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit).....		1c(1)	2487419745
(2) U.S. Government securities		1c(2)	
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred		1c(3)(A)	
(B) All other		1c(3)(B)	
(4) Corporate stocks (other than employer securities):			
(A) Preferred		1c(4)(A)	
(B) Common.....		1c(4)(B)	
(5) Partnership/joint venture interests		1c(5)	
(6) Real estate (other than employer real property)		1c(6)	
(7) Loans (other than to participants).....		1c(7)	
(8) Participant loans.....		1c(8)	387645386451
(9) Value of interest in common/collective trusts.....		1c(9)	
(10) Value of interest in pooled separate accounts		1c(10)	
(11) Value of interest in master trust investment accounts.....		1c(11)	
(12) Value of interest in 103-12 investment entities		1c(12)	
(13) Value of interest in registered investment companies (e.g., mutual funds).....		1c(13)	1904895916294434
(14) Value of funds held in insurance company general account (unallocated contracts).....		1c(14)	
(15) Other		1c(15)	

1d Employer-related investments:		(a) Beginning of Year	(b) End of Year
(1) Employer securities	1d(1)		
(2) Employer real property	1d(2)		
e Buildings and other property used in plan operation	1e		
f Total assets (add all amounts in lines 1a through 1e)	1f	19973073	17219572

Liabilities

g Benefit claims payable	1g		
h Operating payables	1h		
i Acquisition indebtedness	1i		
j Other liabilities	1j		
k Total liabilities (add all amounts in lines 1g through 1j)	1k	0	0

Net Assets

l Net assets (subtract line 1k from line 1f)	1l	19973073	17219572
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Part II Income and Expense Statement

2 Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

Income

		(a) Amount	(b) Total
a Contributions:			
(1) Received or receivable in cash from: (A) Employers	2a(1)(A)	837732	
(B) Participants	2a(1)(B)	870341	
(C) Others (including rollovers)	2a(1)(C)	52020	
(2) Noncash contributions	2a(2)		
(3) Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)		1760093
b Earnings on investments:			
(1) Interest:			
(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)	232	
(B) U.S. Government securities	2b(1)(B)		
(C) Corporate debt instruments	2b(1)(C)		
(D) Loans (other than to participants)	2b(1)(D)		
(E) Participant loans	2b(1)(E)	18194	
(F) Other	2b(1)(F)		
(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)		18426
(2) Dividends: (A) Preferred stock	2b(2)(A)		
(B) Common stock	2b(2)(B)		
(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)		
(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)		0
(3) Rents	2b(3)		
(4) Net gain (loss) on sale of assets: (A) Aggregate proceeds	2b(4)(A)		
(B) Aggregate carrying amount (see instructions)	2b(4)(B)		
(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result	2b(4)(C)		0
(5) Unrealized appreciation (depreciation) of assets: (A) Real estate	2b(5)(A)		
(B) Other	2b(5)(B)		
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		0

		(a) Amount	(b) Total
(6) Net investment gain (loss) from common/collective trusts	2b(6)		
(7) Net investment gain (loss) from pooled separate accounts	2b(7)		
(8) Net investment gain (loss) from master trust investment accounts	2b(8)		
(9) Net investment gain (loss) from 103-12 investment entities.....	2b(9)		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds)	2b(10)		-2872144
c Other income	2c		
d Total income. Add all income amounts in column (b) and enter total	2d		-1093625
Expenses			
e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	1583294	
(2) To insurance carriers for the provision of benefits	2e(2)		
(3) Other	2e(3)		
(4) Total benefit payments. Add lines 2e(1) through (3)	2e(4)		1583294
f Corrective distributions (see instructions)	2f		
g Certain deemed distributions of participant loans (see instructions)	2g		
h Interest expense	2h		
i Administrative expenses: (1) Professional fees	2i(1)	76582	
(2) Contract administrator fees	2i(2)		
(3) Investment advisory and management fees	2i(3)		
(4) Other	2i(4)		
(5) Total administrative expenses. Add lines 2i(1) through (4)	2i(5)		76582
j Total expenses. Add all expense amounts in column (b) and enter total	2j		1659876
Net Income and Reconciliation			
k Net income (loss). Subtract line 2j from line 2d	2k		-2753501
l Transfers of assets:			
(1) To this plan	2l(1)		
(2) From this plan	2l(2)		

Part III Accountant's Opinion

3 Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

a The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) ☒ Unmodified (2) ☐ Qualified (3) ☐ Disclaimer (4) ☐ Adverse

b Check the appropriate box(es) to indicate whether the IQPA performed an ERISA section 103(a)(3)(C) audit. Check both boxes (1) and (2) if the audit was performed pursuant to both 29 CFR 2520.103-8 and 29 CFR 2520.103-12(d). Check box (3) if pursuant to neither.

(1) ☒ DOL Regulation 2520.103-8 (2) ☐ DOL Regulation 2520.103-12(d) (3) ☐ neither DOL Regulation 2520.103-8 nor DOL Regulation 2520.103-12(d).

c Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: **HAWKINS ASH CPAS, LLP**

(2) EIN: **39-0912608**

d The opinion of an independent qualified public accountant is **not attached** because:

(1) ☐ This form is filed for a CCT, PSA, or MTIA. (2) ☐ It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

Part IV Compliance Questions

4 CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete lines 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete lines 4j and 4l. MTIAs also do not complete line 4l.

During the plan year:

a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.)

	Yes	No	Amount
4a		X	

	Yes	No	Amount
b Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.)			
4b		X	
c Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)			
4c		X	
d Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.)			
4d		X	
e Was this plan covered by a fidelity bond?	X		1000000
f Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?		X	
4f		X	
g Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?			
4g		X	
h Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?			
4h		X	
i Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.)	X		
4i	X		
j Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked and see instructions for format requirements.)			
4j		X	
k Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?			
4k		X	
l Has the plan failed to provide any benefit when due under the plan?			
4l		X	
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)			
4m		X	
n If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.			
4n			

5a Has a resolution to terminate the plan been adopted during the plan year or any prior plan year?..... ☐ Yes ☒ No
If "Yes," enter the amount of any plan assets that reverted to the employer this year _____.

5b If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)	5b(2) EIN(s)	5b(3) PN(s)

5c Was the plan a defined benefit plan covered under the PBGC insurance program at any time during this plan year? (See ERISA section 4021 and instructions.) ☐ Yes ☐ No ☐ Not determined

If "Yes" is checked, enter the My PAA confirmation number from the PBGC premium filing for this plan year _____.

SCHEDULE R (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Retirement Plan Information This schedule is required to be filed under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code). ► File as an attachment to Form 5500.	OMB No. 1210-0110 2022 This Form is Open to Public Inspection.
For calendar plan year 2022 or fiscal plan year beginning 01/01/2022 and ending 12/31/2022		
A Name of plan STATE COLLECTION SERVICE, INC. 401(K) PROFIT SHARING PLAN		B Three-digit plan number (PN) 001
C Plan sponsor's name as shown on line 2a of Form 5500 STATE COLLECTION SERVICE, INC.		D Employer Identification Number (EIN) 39-0788995
Part I Distributions		
All references to distributions relate only to payments of benefits during the plan year.		
1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions.....		1 0
2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits): EIN(s): 39-6607741		
Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.		
3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year.....		3
Part II Funding Information (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part.)		
4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)? ☐ Yes ☐ No ☐ N/A If the plan is a defined benefit plan, go to line 8.		
5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. Date: Month _____ Day _____ Year _____ If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.		
6 a Enter the minimum required contribution for this plan year (include any prior year accumulated funding deficiency not waived).....		6a
b Enter the amount contributed by the employer to the plan for this plan year.....		6b
c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount).....		6c
If you completed line 6c, skip lines 8 and 9.		
7 Will the minimum funding amount reported on line 6c be met by the funding deadline? ☐ Yes ☐ No ☐ N/A		
8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure or other authority providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change? ☐ Yes ☐ No ☐ N/A		
Part III Amendments		
9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box. If no, check the "No" box..... ☐ Increase ☐ Decrease ☐ Both ☐ No		
Part IV ESOPs (see instructions). If this is not a plan described under section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.		
10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan?.....		☐ Yes ☐ No
11 a Does the ESOP hold any preferred stock?.....		☐ Yes ☐ No
b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.).....		☐ Yes ☐ No
12 Does the ESOP hold any stock that is not readily tradable on an established securities market?.....		☐ Yes ☐ No
For Paperwork Reduction Act Notice, see the Instructions for Form 5500.		Schedule R (Form 5500) 2022 v. 220413

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

13 Enter the following information for each employer that (1) contributed more than 5% of total contributions to the plan during the plan year or (2) was one of the top-ten highest contributors (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

14	Enter the number of deferred vested and retired participants (inactive participants), as of the beginning of the plan year, whose contributing employer is no longer making contributions to the plan for:	
a	The current plan year. Check the box to indicate the counting method used to determine the number of inactive participants: ☐ last contributing employer ☐ alternative ☐ reasonable approximation (see instructions for required attachment).....	14a
b	The plan year immediately preceding the current plan year. ☐ Check the box if the number reported is a change from what was previously reported (see instructions for required attachment)	14b
c	The second preceding plan year. ☐ Check the box if the number reported is a change from what was previously reported (see instructions for required attachment)	14c
15	Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:	
a	The corresponding number for the plan year immediately preceding the current plan year.....	15a
b	The corresponding number for the second preceding plan year.....	15b
16	Information with respect to any employers who withdrew from the plan during the preceding plan year:	
a	Enter the number of employers who withdrew during the preceding plan year	16a
b	If line 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers.....	16b
17	If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment ☐	

Part VI Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans

18 If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment ☐

19 If the total number of participants is 1,000 or more, complete lines (a) through (c)

a Enter the percentage of plan assets held as:
 Stock: _____% Investment-Grade Debt: _____% High-Yield Debt: _____% Real Estate: _____% Other: _____%

b Provide the average duration of the combined investment-grade and high-yield debt:
☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more

c What duration measure was used to calculate line 19(b)?
☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify): _____

20 PBGC missed contribution reporting requirements. If this is a multiemployer plan or a single-employer plan that is not covered by PBGC, skip line 20.

a Is the amount of unpaid minimum required contributions for all years from Schedule SB (Form 5500) line 40 greater than zero? ☐ Yes ☐ No

b If line 20a is "Yes," has PBGC been notified as required by ERISA sections 4043(c)(5) and/or 303(k)(4)? Check the applicable box:

☐ Yes.

☐ No. Reporting was waived under 29 CFR 4043.25(c)(2) because contributions equal to or exceeding the unpaid minimum required contribution were made by the 30th day after the due date.

☐ No. The 30-day period referenced in 29 CFR 4043.25(c)(2) has not yet ended, and the sponsor intends to make a contribution equal to or exceeding the unpaid minimum required contribution by the 30th day after the due date.

☐ No. Other. Provide explanation _____

State Collection Service, Inc.

Financial Report
December 31, 2022

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Independent Auditor's Report

Board of Directors
State Collection Service, Inc.

Opinion

We have audited the financial statements of State Collection Service, Inc. (the Company), which comprise the balance sheets as of December 31, 2022 and 2021, the related statements of operations, retained earnings, and cash flows for the years then ended, and the related notes to the financial statements (collectively, the financial statements).

In our opinion, the accompanying 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.

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 Auditor's Responsibilities for the Audit of the 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the Company's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities 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 auditor's 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 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 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.

RSM US LLP

Madison, Wisconsin
May 23, 2023

State Collection Service, Inc.

Balance Sheets

December 31, 2022 and 2021

	2022	2021
Assets		
Current assets:		
Trust funds on deposit	\$ 4,104,002	\$ 3,974,969
Cash	5,501,144	6,656,679
Receivables, net	8,904,749	6,878,378
Prepaid expenses	701,243	772,044
Total current assets	19,211,138	18,282,070
Leasehold improvements and equipment:		
Leasehold improvements	739,925	785,151
Furniture, fixtures and equipment	1,108,611	1,201,754
Computer equipment	6,048,886	5,854,865
	7,897,422	7,841,770
Less accumulated depreciation	6,496,401	5,727,001
	1,401,021	2,114,769
Right of use asset for operating lease, net	1,866,331	2,361,621
Right of use asset for finance lease, net	2,218,846	2,786,720
Goodwill	218,816	218,816
	\$ 24,916,152	\$ 25,763,996

See notes to financial statements.

	2022	2021
Liabilities and Stockholder's Equity		
Current liabilities:		
Outstanding checks in excess of bank balance	\$ 425,744	\$ 490,982
Current maturities of long-term debt	-	157,629
Current portion of share-based compensation liability	127,595	127,595
Current portion of deferred compensation	300,000	-
Dividend payable	11,900	108,000
Accounts payable	1,566,349	1,257,753
Current portion of operating lease liability	482,598	543,843
Current portion of finance lease liability	592,653	581,190
Accrued expenses	3,054,096	2,496,123
Income tax payable	2,116	15,260
Customer funds in trust	3,510,901	3,524,046
Total current liabilities	10,073,952	9,302,421
Long term liabilities:		
Share based compensation liability, net of current portion	2,005,841	2,171,372
Deferred compensation liability, net of current portion	2,554,681	-
Lease liability for operating lease, net of current portion	1,570,003	2,034,038
Lease liability for finance lease, net of current portion	1,633,556	2,206,831
Total long term liabilities	7,764,081	6,412,241
Stockholder's equity:		
Common stock, no par value; authorized 100,000 shares; issued and outstanding 10,000 shares, at amount paid in	2,300	2,300
Retained earnings	7,075,819	10,047,034
	7,078,119	10,049,334
	\$ 24,916,152	\$ 25,763,996

See notes to financial statements.

State Collection Service, Inc.

Statements of Operations
Years Ended December 31, 2022 and 2021

	2022	2021
Revenue	\$ 56,983,393	\$ 51,305,401
Operating expenses	58,280,222	48,808,936
Operating (loss) income	(1,296,829)	2,496,465
Other (income) expense:		
Gain on extinguishment of debt	-	(5,669,200)
Loss on disposal of fixed assets	6,785	-
Interest expense	15,885	18,916
(Loss) income before tax	(1,319,499)	8,146,749
Income tax expense	15,622	16,288
Net (loss) income	\$ (1,335,121)	\$ 8,130,461

See notes to financial statements.

State Collection Service, Inc.

Statements of Retained Earnings
Years Ended December 31, 2022 and 2021

	2022	2021
Balance, beginning	\$ 10,047,034	\$ 4,106,902
Net (loss) income	(1,335,121)	8,130,461
Distributions	(1,636,094)	(2,190,329)
Balance, ending	\$ 7,075,819	\$ 10,047,034

See notes to financial statements.

State Collection Service, Inc.

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

	2022	2021
Cash flows from operating activities:		
Net (loss) income	\$ (1,335,121)	\$ 8,130,461
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation of leasehold improvements and equipment	903,918	533,347
Depreciation of right of use assets	1,142,911	1,062,030
Loss on disposal of equipment	6,785	-
Gain on extinguishment of debt	-	(5,669,200)
Deferred compensation	2,854,681	-
Share-based compensation	(165,531)	(254,752)
Increase (decrease) from changes in:		
Trust funds on deposit	(129,033)	(1,101,916)
Receivables	(2,026,371)	(1,661,887)
Prepaid expenses	59,475	(35,892)
Accounts payable and accrued expenses	866,569	1,008,270
Income tax payable	(13,144)	15,260
Dividend payable	(96,100)	(146,600)
Customer funds in trust	(13,145)	1,052,987
Lease liability-operating	(571,785)	(468,601)
Net cash provided by operating activities	1,484,109	2,463,507
Cash flows from investing activities:		
Purchase of leasehold improvements and equipment	(196,955)	(531,339)
Retirement of right of use asset	79,320	1,636,235
Net cash (used in) provided by investing activities	(117,635)	1,104,896
Cash flows from financing activities:		
(Decrease) increase in outstanding checks in excess of bank balance	(65,238)	5,216
Borrowings on long-term debt	91,349	-
Payments on long-term debt	(248,978)	(210,934)
Retirement of right of use asset	(78,112)	(1,636,235)
Payments on finance lease obligations	(584,936)	(606,597)
Cash distributions paid	(1,636,094)	(2,190,329)
Net cash used in financing activities	(2,522,009)	(4,638,879)
Net decrease in cash	(1,155,535)	(1,070,476)
Cash:		
Beginning	6,656,679	7,727,155
Ending	\$ 5,501,144	\$ 6,656,679
Supplemental disclosures of cash flow information:		
Cash payments for:		
Interest	\$ 15,885	\$ 18,916
Taxes	\$ 28,766	\$ 1,028

See notes to financial statements.

State Collection Service, Inc.

Notes to Financial Statements

Note 1. Nature of Business and Significant Accounting Policies

Nature of business: State Collection Service, Inc. (the Company) is engaged in the consumer and commercial collection industry. Revenues are earned by contractual retainer fees from clients and commission charges for successfully collecting consumer accounts submitted. The Company extends credit to its customers, all on an unsecured basis, on terms it establishes for individual customers. The Company's customers are located throughout the United States.

A summary of the Company's significant accounting policies follows:

Accounting estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. The financial statements include estimates based on currently available information and management's judgement as to the outcome of future conditions and circumstances. Changes in the status of certain facts or circumstances could result in material changes to the estimates used in the preparation of the financial statements and actual results could differ from the estimates and assumptions.

Cash: The Company maintains balances in bank deposit accounts which generally exceed federally insured limits. The Company has not experienced any losses in such accounts.

Receivables: Receivables are carried at original invoice or loan amount less repayments on loans and an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual receivables and considering the counterparty's financial condition, credit history, and current economic conditions. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. A receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30-60 days, depending on the contract. There is no interest charged on past due receivables. As of December 31, 2022 and 2021, management has established an allowance for doubtful accounts of approximately \$47,000 and \$74,000, respectively.

Leasehold improvements and equipment: Leasehold improvements are carried at cost and are depreciated using the straight-line method over the shorter of the lease term or the estimated useful life of the assets. Equipment is carried at cost less accumulated depreciation. Depreciation on equipment is computed using primarily the straight-line method over the estimated useful life of the assets.

Goodwill: The Company records as goodwill the excess of purchase price paid over the fair value of the identifiable net assets acquired. This value is non-amortizable but subject to annual impairment testing. The Company has elected to perform its annual impairment analysis as of December 31. There was no change in the carrying value of goodwill during 2022 or 2021. In addition, there have been no impairment losses since the inception of goodwill.

State Collection Service, Inc.

Notes to Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Fair value of financial instruments: There are no financial instruments for which carrying value materially differs from fair value.

Revenue recognition: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, the new guidance requires disclosure of the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Company recognizes revenue in accordance with Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*, which provides a five-step model for recognizing revenue from contracts with customers as follows:

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when or as performance obligations are satisfied

Nature of revenues: The Company's revenue is derived from collection services and consists primarily of contract-based contingency fees (commission revenue). The Company's services are marketed and sold primarily to healthcare providers located throughout the United States. The contingency fee percentages that the Company earns are agreed upon during the bid process and may change from time to time either under the terms of existing contracts or pursuant to the terms of contract renewals. Revenue is recognized at the time the collection is made from the consumer, in an amount that reflects the consideration the Company expects to receive in exchange for those services assuming all other revenue recognition criteria are met.

Collection services: Commission revenue relates to (1) contracts in which the Company acts as the third-party collector of accounts clients have deemed to be bad debts or (2) contracts with customers who outsource the accounts receivable function to the Company before they become deemed bad debts by the client. Commission revenue is based on a percentage of total collections or occasionally a flat fee amount per number of transactions. At the time an account is placed with the Company it is unknown as to how much the Company will collect on behalf of the client. The Company recognizes revenue when the collection is made from the consumer and there is a high degree of confidence that revenue will not be reversed in a subsequent reporting period.

State Collection Service, Inc.

Notes to Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Court cost collections: The Company at times incurs and pays legal fees and court costs on behalf of their clients in order to get the debtors to pay. If successful, the Company is reimbursed by the debtor once the debtor begins to pay off their outstanding balance. When these costs are incurred by the Company, they are expensed. When the Company eventually collects cash from the accounts (debtor balance) on which the legal expenses were incurred, revenue is recognized. At the time the Company pays the court costs, it is unknown as to how much the Company will collect as reimbursement for expense paid. The Company does not recognize revenue until the cash is received since the amount to be received cannot be determined with a high degree of confidence and therefore is constrained until the time of collection.

The Company's contracts generally contain a single performance obligation.

Transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring services to the customer. The Company's contracts are composed primarily of variable consideration. The contingency fee percentage for a particular recovery depends on the type of recovery facilitated and the client. The Company has determined that the amount of variable consideration included in the transaction price is fully constrained until the time of collection as the Company is unable to estimate with a high degree of certainty that a significant reversal of cumulative revenue recognized will not occur based on the following:

1. The amount of consideration is highly susceptible to factors outside of the Company's influence.
2. The uncertainty about the amount of consideration is not expected to be resolved for a long period of time.
3. The Company's experience with similar types of contracts has limited predictive value.
4. The contracts have a large number and broad range of possible consideration amounts.

Under certain contracts, consideration can include periodic performance-based bonuses which can be awarded based on the Company's performance under the specific contract. These performance-based awards are considered variable and are constrained by the Company until there is not a risk of a material reversal.

Costs to obtain a contract: Sales commissions and bonuses paid to internal sales personnel that are incremental to the acquisition of customer contracts are capitalized as deferred contracts costs on the balance sheet when the period of benefit is determined to be greater than one year. The Company has elected to apply the practical expedient to expense sales commissions and associated costs as incurred when the expected amortization period is one year or less. Under this policy, no deferred contract costs were recorded as of December 31, 2022 and 2021.

Customer funds held in trust: In accordance with state regulations, the Company maintains trust accounts for the consumer collection received but not remitted to the Company's customers. Trust funds on deposit are held in a bank deposit account.

Income taxes: The Company, with the consent of its stockholder, has elected to be taxed under sections of federal and state income tax laws, which provide that, in lieu of corporate income taxes, the stockholder separately accounts for the Company's items of income, deductions, losses and credits. Therefore, the financial statements do not include a provision for federal and some state income taxes.

State Collection Service, Inc.

Notes to Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

On December 14, 2018, Wisconsin enacted S.B. 883 (2017 Wisconsin Act 368), to allow pass-through entities (PTEs) to elect to be taxed at the entity level. If a PTE makes the election, then it will be taxed at a rate of 7.9% on its net income apportioned and allocated to Wisconsin. As the shareholders may elect to have the tax paid at the entity level, if the tax is not paid, the state may collect the amount from shareholders, the Company has recorded the entity tax choice as a distribution totaling approximately \$784,000 and \$1,417,000 as of December 31, 2022 and 2021, respectively.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Company and recognize a tax liability if the Company has taken an uncertain position that more likely than not would not be sustained upon examination by tax authorities. Management evaluated the Company's tax positions and concluded that the Company had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Advertising costs: Advertising costs are expensed as incurred. Advertising expense was approximately \$48,300 and \$59,900 for the years ended December 31, 2022 and 2021, respectively.

Variable interest entities: The Company has elected to apply the Variable Interest Entity guidance under the FASB ASC 810 to a lessor entity under common control, provided the conditions for the accounting alternative specified in Topic 810 are met. (See Note 7).

Reclassification: Certain items on the December 31, 2021 balance sheet have been reclassified, with no effect on net income (or cash provided by operating activities), to be consistent with classifications adopted as of December 31, 2022.

Recent accounting pronouncements: In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of income as the amounts expected to be collected change. The ASU is effective for fiscal years beginning after December 15, 2022. Early adoption is permitted. The Company is currently evaluating the impact of the adoption on its financial statements.

In January 2017, the FASB issued ASU 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. The ASU simplifies the measurement of goodwill impairment by eliminating the requirement that an entity compute the implied fair value of goodwill based on the fair values of its assets and liabilities to measure impairment. Instead, goodwill impairment will be measured as the difference between the fair value of the reporting unit and the carrying value of the reporting unit. The ASU also clarifies the treatment of the income tax effect of tax deductible goodwill when measuring goodwill impairment loss. ASU 2017-04 will be effective for the Company beginning on January 1, 2023. The Company is currently evaluating the impact of the adoption on its financial statements.

Subsequent events: The Company has evaluated subsequent events through May 23, 2023, the date on which the financial statements were available to be issued. See Note 9 for a discussion of subsequent events.

Note 2. Leases and Related Parties

The Company adopted ASU 2016-02, *Leases (Topic 842)*, which requires all long-term leases to be recognized on the balance sheet. The Company determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to and the agreement creates enforceable rights and obligations. Under ASC 842, a contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Company also considers whether its service arrangements include the right to control the use of an asset.

Under ASC 842, a lease is a contract, or part of a contract, that conveys the right to control the use of identified property, plant, or equipment (i.e., an identified asset) for a period of time in exchange for consideration. The Company's contracts determined to be or contain a lease include explicitly or implicitly identified assets where the Company has the right to obtain substantially all of the economic benefits of the assets and has the ability to direct how and for what purpose the assets are used during the lease term. Leases are classified as either operating or financing. For operating leases, the Company has recognized a lease liability equal to the present value of the remaining lease payments, and a right of use (ROU) asset equal to the lease liability, subject to certain adjustments, such as for deferred rent. The Company used a risk-free rate, based on the United States Treasury rates, to determine the present value of the lease payments. The lease term at the lease commencement date is determined based on the non-cancellable period for which the Company has the right to use the underlying asset, together with any periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option. The Company considered a number of factors when evaluating whether the options in its lease contracts were reasonably certain of exercise, such as the length of time before option exercise, expected value of the leased asset at the end of the initial lease term, importance of the lease to overall operations, costs to negotiate a new lease, and any contractual or economic penalties.

The Company leases a building and office space from related parties, under separate lease agreements which expire in December 2024 and December 2028. Payments to these related parties totaled approximately \$389,000 and \$374,000 during the years ended December 31, 2022 and 2021, respectively.

The Company also leases other buildings, office equipment, and computer hardware from non-related parties under agreements, which expire at various dates from September 2023 through December 2028.

During 2022, the Company entered into two new finance leases for copier hardware with non-related parties under agreements which expire in February 2027. The Company recorded ROU assets and lease liabilities for finance leases in the amount of approximately \$23,000 related to these lease agreements. The Company also entered into one new operating lease with a non-related party under an agreement that expires in November 2025. The Company recorded an ROU asset and lease liability for the operating lease for approximately \$136,000 and 125,000, respectively, related to this lease agreement.

State Collection Service, Inc.**Notes to Financial Statements**

Note 2. Leases and Related Parties (Continued)

The Company has made an accounting policy election not to recognize ROU assets and lease liabilities for leases with a lease term of 12 months or less, including renewal options that are reasonably certain to be exercised, that also do not include an option to purchase the underlying asset that is reasonably certain of exercise. Instead, lease payments for these leases are recognized as lease cost on a straight-line basis over the lease term. The Company does not sublease any of its leased assets to third parties. The Company's lease agreements do not contain any residual value guaranties or restrictive covenants.

ASC 842 includes a number of reassessment and re-measurement requirements for lessees based on certain triggering events or conditions, including whether a contract is or contains a lease, assessment of lease term and purchase options, measurement of lease payments, assessment of lease classification and assessment of the discount rate. The Company reviewed the reassessment and re-measurement requirements and did not identify any events or conditions during the years ended December 31, 2022 and 2021, that required a reassessment or re-measurement. In addition, there were no impairment indicators identified during the years ended December 31, 2022 and 2021, that required an impairment test for the Company's ROU assets in accordance with ASC 360.

The components of lease expense and supplemental cash flow information related to leases for the years ended December 31, 2022 and 2021, are as follows:

	2022	2021
Finance lease cost:		
Amortization of right-of-use assets	\$ 590,998	\$ 587,756
Interest on lease liabilities	26,054	18,616
Operating lease cost	604,387	547,005
Short-term lease cost	50,944	50,619
Total lease cost	<u>\$ 1,272,383</u>	<u>\$ 1,203,996</u>
Other information		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 624,258	\$ 549,519
Financing cash flows from finance leases	584,936	606,597
Right-of-use assets obtained in exchange for new finance lease liabilities	23,124	3,000,721
Right-of-use assets obtained in exchange for new operating lease liabilities	124,617	416,167
Weighted-average remaining lease term—finance leases	4.7 years	4.8 years
Weighted-average remaining lease term—operating leases	4.3 years	5.0 years
Weighted-average discount rate—finance leases	1.07%	1.01%
Weighted-average discount rate—operating leases	2.64%	2.33%

State Collection Service, Inc.

Notes to Financial Statements

Note 2. Leases and Related Parties (Continued)

As of December 31, 2022, maturities of the Company's lease liabilities are as follows:

	Operating Leases	Finance Leases
Years ending December 31:		
2023	\$ 528,490	\$ 614,124
2024	543,022	504,912
2025	405,749	288,586
2026	376,298	291,105
2027	321,382	294,127
Thereafter	-	302,123
Total lease payments	2,174,941	2,294,977
Less imputed interest	122,340	68,768
Present value of lease liabilities	<u>\$ 2,052,601</u>	<u>\$ 2,226,209</u>

Note 3. Notes Payable and Pledged Assets

The Company has a revolving line of credit with a bank having total availability of \$4,250,000. Interest is charged at the greater of the Wall Street Journal Prime Rate minus 0.45% (7.50% at December 31, 2022) or 5.80%. The line of credit expires in October 2023 and is collateralized by a general business security agreement covering substantially all assets of the Company and a guarantee of a stockholder. There was no outstanding balance on the line of credit as of December 31, 2022 and 2021. The revolving line of credit contains certain restrictive financial covenants.

A note payable to a bank with a balance of \$157,629 at December 31, 2021, was payable in monthly installments of \$18,556, including interest at 4.25%. The note payable was collateralized by a general business security agreement and covered substantially all assets of the Company and a guarantee of the sole stockholder. The remainder of the note was fully paid in 2022.

On May 4, 2020, the Company entered into a two year note agreement under the Small Business Administration's (SBA) Paycheck Protection Program (PPP) and received loan proceeds from a bank of \$5,669,200. The PPP is a liquidity program established by the U.S. government as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) in response to the negative economic impact of the COVID-19 outbreak.

The PPP Loan was a forgivable loan to the extent proceeds are used to cover qualified documented payroll, mortgage interest, rent and utility costs over a 24-week measurement period (as amended) following loan funding. The Company received notification that the loan was fully forgiven during 2021.

In accounting for the terms of the PPP Loan, the Company is guided by ASC 470, Debt. Accordingly, the Company recorded the proceeds of the PPP Loan of \$5,669,200 as debt. The Company derecognized the liability at time of forgiveness when released as primary obligor and a gain on extinguishment of debt of \$5,669,200 was recorded as nonoperating (income) expense within the accompanying statements of income for the year ended December 31, 2021.

State Collection Service, Inc.

Notes to Financial Statements

Note 3. Notes Payable and Pledged Assets (Continued)

While the loans have been formally forgiven, under the terms of the PPP Loans, the Company remains subject to an audit by the SBA for a period of six years after forgiveness. The audit is intended to confirm the Company's eligibility for the loan and the appropriateness of the loan obtained. In accordance with ASC 450, Contingencies, the Company assessed the probability of failing the audit and being required to repay all or any portion of the PPP Loans. The Company is aware of the requirements and has retained all necessary documentation in support of its eligibility, including gross receipts calculations, supporting payroll expenses and related information. The Company believes that it has materially complied with all the requirements of the PPP and reasonably assured it would satisfy the requirements of an audit.

Note 4. Employee Benefit Plan

The Company has a profit-sharing plan with a 401(k) provision covering all employees who meet the eligibility requirements set forth in the plan. The amount the Company contributes to the profit-sharing plan is at the discretion of the Company's Board of Directors. The total expense related to the plan was approximately \$882,000 and \$866,000 at December 31, 2022 and 2021, respectively.

Note 5. Intention to Declare Distributions

The Board of Directors intends to declare dividends during the year subsequent to the balance sheet date to assist the stockholder in paying personal income taxes on the taxable income of the Company and for other purposes.

Note 6. Stock Appreciation Rights and Subsequent Event

During 2011, the Company established a stock appreciation rights (SAR) plan in order to reward key employees of the Company. The plan entitles participants to receive cash equal to the excess, if any, of the SAR unit value as of the participant's termination of employment over the initial value of such units. The Company granted four and six units during 2022 and 2021, respectively; 46 and 42 units remained outstanding at December 31, 2022 and 2021, respectively.

The liability is calculated using the excess of the SAR unit value as of the participant's termination of employment over initial value, based upon a profitability calculation defined in the plan document, which factors in current year earnings, and is recognized in earnings over the vesting period of the units. Of the 44 outstanding units, 38 units are fully vested. The SAR liability was approximately \$2,133,000 and \$2,299,000 at December 31, 2022 and 2021, respectively. A reduction to compensation expense recognized on the SAR plan was approximately \$38,000 and \$255,000 for the years ended December 31, 2022 and 2021, respectively. Payments on the plan will be made in quarterly installments with interest at the prime rate of interest over two or four years, depending on the amount of the deferred compensation balance. Upon the event of a change in control of the Company, all SARs are paid in full at the time of change in control. One participant terminated their employment in 2021 and therefore, two SAR units were paid out in 2022 with the remaining two units to be paid out in 2023 at approximately \$127,600 per year.

On January 1, 2023, the Company amended the stock appreciation rights (SAR) plan to measure the SAR unit value as of December 31, 2022, rather than on the date of the participant's termination of employment (as described in Note 6 above).

State Collection Service, Inc.

Notes to Financial Statements

Note 7. Variable Interest Entity Not Consolidated

The Company leases a building from a related party limited liability company (LLC). The liability recognized in the financial statements of the related party LLC was approximately \$377,000 and \$399,000 at December 31, 2022 and 2021, respectively. The building is pledged as collateral on the note. Pursuant to the Company's policy to apply the accounting alternative to certain lessor entities under common control, the conditions for this accounting alternative have been met as of December 31, 2022 and 2021, respectively.

Therefore, the Company does not consider consolidation of the accounts of the related party LLC into the Company's financial statements.

Note 8. Litigation

The Company has numerous claims and pending legal proceedings that generally involve the Fair Debt Collections Protection Act (FDCPA). These proceedings are, in the opinion of management, ordinary routine matters incidental to the normal business conducted by the Company. In the opinion of management and the Company's legal counsel, the ultimate disposition of such proceedings are not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

Note 9. Deferred Compensation Agreement

In September 2022, the Company entered into a deferred compensation agreement with a former key employee and shareholder which provides benefits payable upon their separation of service. Under certain circumstances, benefits are payable to their surviving spouse. The present value of the estimated liability under the agreement is being accrued using a discount rate of 6.55%. In 2022, the separation of service event occurred, and the agreement was activated. Under the terms of the agreement, the compensation is paid to the surviving spouse in annual installments of \$300,000 for 15 years. The deferred compensation charged to expense totaled approximately \$2,878,000 and \$0 for the years ended December 31, 2022 and 2021, respectively.

Note 10. Excess Billing Liability

During 2022, an error was discovered related to the calculation of fees on insurance transactions for one customer. The Company provides accounts receivable management services to this customer with a contract dating back to 2014. The contract establishes that if insurance is discovered by the Company upon collection, the account is to be returned to the customer and no fees will be earned by the Company. An error in the programming for this fee was discovered in 2022, and a repayment of the excess fees charged from 2014-2022 was agreed to with the customer. The full repayment amount will be repaid by December 31, 2023. The Company has recorded a liability for the future payments within accrued expenses totaling \$1,078,191 for the year ended December 31, 2022.



RSM US LLP

Independent Auditor's Report on the Supplementary Information

Board of Directors
State Collection Service, Inc.

We have audited the financial statements of State Collection Service, Inc. (the Company) as of and for the years ended December 31, 2022 and 2021, and have issued our report thereon, which contains an unmodified opinion on those financial statements. See pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The revenue and statements of operating expenses information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

Madison, Wisconsin
May 23, 2023

State Collection Service, Inc.

Revenue

Years Ended December 31, 2022 and 2021

	2022			2021	
	Amount	Percent of Revenue		Amount	Percent of Revenue
Commissions	\$ 21,488,798	37.70 %	\$	20,983,884	40.90 %
Court cost collected	994,706	1.70		447,279	0.90
Extended business office fees	34,468,169	60.50		29,838,229	58.10
Other	31,720	0.10		36,009	0.10
	\$ 56,983,393	100.00 %	\$	51,305,401	100.00 %

State Collection Service, Inc.

Operating Expenses

Years Ended December 31, 2022 and 2021

	2022			2021		
	Amount	Percent of Revenue		Amount	Percent of Revenue	
Wages, stockholder	\$ 228,965	0.40	%	\$ 256,279	0.50	%
Wages	31,240,778	54.82		27,349,278	53.31	
Deferred compensation	2,877,758	5.05		-	-	
Payroll taxes	2,317,839	4.07		2,042,432	3.98	
Employee insurance	2,881,083	5.06		2,585,196	5.04	
Employee retirement plan	837,767	1.47		837,030	1.63	
Share-based compensation	(37,935)	(0.07)		(254,752)	(0.50)	
Fringe benefit plan administration	44,725	0.08		28,751	0.06	
Court cost paid	594,660	1.04		427,920	0.83	
Legal	973,647	1.71		1,000,494	1.95	
Postage and freight	4,141,139	7.27		3,539,897	6.90	
Licenses and taxes	111,775	0.20		101,709	0.20	
Collection expenses	2,104,382	3.69		1,740,511	3.39	
Depreciation	1,494,916	2.62		1,129,292	2.20	
Rent	706,887	1.24		824,522	1.61	
Repairs and maintenance	194,984	0.34		187,300	0.37	
Utilities	232,171	0.41		222,444	0.43	
Insurance	352,117	0.62		276,061	0.54	
Office supplies	77,185	0.14		68,283	0.13	
Computer	2,323,077	4.08		2,199,084	4.29	
Telephone	933,186	1.64		1,022,679	1.99	
Education	159,395	0.28		153,955	0.30	
Advertising and promotion	48,276	0.08		59,916	0.12	
Merchant fees	1,366,910	2.40		1,316,851	2.57	
Entertainment	97,946	0.17		32,626	0.06	
Travel	174,502	0.31		67,189	0.13	
Meetings and conventions	152,912	0.27		63,457	0.12	
Dues and subscriptions	121,911	0.21		98,379	0.19	
Vehicle	57,836	0.10		39,110	0.08	
Professional fees	1,055,365	1.85		980,304	1.91	
Recruiting and retention	123,667	0.22		154,176	0.30	
Client/employee gifts	117,337	0.21		129,176	0.25	
Donations	59,880	0.11		33,573	0.07	
Other	113,179	0.20		95,814	0.19	
	\$ 58,280,222	102.29	%	\$ 48,808,936	95.14	%

Please refer to Accountant's Opinion for Schedule of Assets.