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Emerging Growth Company Practice

Financial statements for tech startups

July 28, 2023

To our clients and extended network in the tech startup community,

We are pleased to present *Financial statements for tech startups*, which provides illustrative examples for use by CFOs, controllers, and others on the accounting and finance team who are entrusted with the preparation of the Company's financial statements. These examples are designed for private companies in the tech industry that are preparing for the first audit of their financial statements prepared in accordance with generally accepted accounting principles in the United States of America (US GAAP). **Companies whose US GAAP financial statements are required to meet Securities and Exchange Commission (SEC) report requirements should not use these illustrative examples.**

We hope you find this template beneficial as you prepare your financial statements, and we invite you to learn more about Deloitte's Emerging Growth Company practice and our services for high-growth companies considering an IPO.

To stay current on accounting and financial reporting developments that could affect your business, make sure to subscribe to our Roadmap Series as well as our Heads Up newsletter.

Sincerely,

Heather Gates
Audit & Assurance Managing Director
Emerging Growth Company Practice Leader
Deloitte & Touche LLP

This publication presents sample annual financial reports of a fictional, private, emerging growth company, Company, Inc. It illustrates the financial reporting requirements that may apply to such a company under Generally Accepted Accounting Principles in the US (US GAAP) as of December 31, 2022.

The illustrative financial statements contain general information and are not intended to be a substitute for reading the legislation or accounting standards themselves or for professional judgment as to the adequacy of disclosures and fairness of presentation. The illustrative financial statements do not encompass all possible disclosures required by US GAAP. Depending on the circumstances, further information may be required in order for the fair presentation of the financial statements and compliance with laws and accounting standards. Additionally, disclosures, such as Accounting Standards Codification 842-20, leasing standard, may need to be tailored accordingly for the type of leases, i.e., finance, operating, etc.

It is the management’s responsibility to ensure that the financial statements and related footnotes are complete and accurate.

Company, Inc.

[Consolidated] Financial Statements as of and
for the Years Ended December 31, 2022 and 2021,
and Independent Auditor's Report

COMPANY, INC.

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INDEPENDENT AUDITOR'S REPORT

To the [Board of Directors/Audit Committee] of Company, Inc.
Address

___________, 202X

COMPANY, INC.

[CONSOLIDATED] BALANCE SHEETS
AS OF DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ -	$ -
Restricted cash (current)		
Accounts receivable—net		
Prepaid expenses and other current assets		
Deferred contract costs (current)		
Total current assets	-	-
NONCURRENT ASSETS:		
Restricted cash (noncurrent)		
Property and equipment, net		
ROU assets—operating leases		
ROU assets—finance leases		
Capitalized software and intangible assets—net		
Deferred contract costs (noncurrent)		
Other noncurrent assets		
Total noncurrent assets	-	-
TOTAL ASSETS	$ -	$ -
LIABILITIES AND STOCKHOLDERS’ EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ -	$ -
Lease liability—operating lease (current)		
Lease liability—finance lease (current)		
Other current liabilities		
Long-term debt (current)		
Deferred revenue (current)		
Total current liabilities	-	-
NONCURRENT LIABILITIES:		
Long-term debt (noncurrent)		
Warrant liabilities		
Lease liability—operating lease (noncurrent)		
Lease liability—finance lease (noncurrent)		
Other noncurrent liabilities		
Deferred revenue (noncurrent)		
Total noncurrent liabilities	-	-
Total liabilities	-	-
COMMITMENTS AND CONTINGENCIES (Note 8)		
STOCKHOLDERS’ EQUITY:**		
Series A convertible preferred stock, $__________ par value—__________ shares authorized; __________ shares issued and outstanding (aggregate liquidation value of $__________)		
Series B convertible preferred stock, $__________ par value—__________ shares authorized, issued, and outstanding (aggregate liquidation value of $__________)*		
Series C convertible preferred stock, $__________ par value—__________ shares authorized, issued, and outstanding (aggregate liquidation value of $__________)		
Common stock, $__________ par value—__________ and __________ shares authorized; __________ and __________ shares issued, and __________ and __________ shares outstanding as of XXXX, respectively		
Accumulated other comprehensive income (loss)		
Accumulated deficit**		
Total stockholders’ equity**	-	-
TOTAL	$ -	$ -

* Subject to Company’s assessment of ASC 480 subjected the determination of presentation of convertible preferred stock under mezzanine equity.

**Dependent upon results from operations, the following should be presented as either “Stockholders’ equity/deficit” and “Accumulated retained earnings/deficit” throughout the financial statements and relevant disclosures.

The accompanying notes are an integral part of these [consolidated] financial statements.

COMPANY, INC.

[CONSOLIDATED] [INCOME STATEMENT]/[STATEMENTS OF OPERATIONS]
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
REVENUE	$ -	$ -
COST OF REVENUE		
GROSS PROFIT	-	-
OPERATING EXPENSES:		
Research and development		
Sales and marketing		
General and administrative		
Total operating expenses	-	-
INCOME (LOSS) FROM OPERATIONS	-	-
OTHER INCOME (EXPENSE):		
Interest income		
Interest expense		
Other expense—net		
Total other expense	-	-
INCOME (LOSS) BEFORE BENEFIT (PROVISION FOR) INCOME TAXES	-	-
BENEFIT (PROVISION FOR) INCOME TAXES		
NET INCOME (LOSS)	$ -	$ -

The accompanying notes are an integral part of these [consolidated] financial statements.

COMPANY, INC.

[CONSOLIDATED] STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	**2021**
NET INCOME (LOSS)	$ -	$ -
OTHER COMPREHENSIVE INCOME (LOSS)—Foreign currency translation adjustments		
OTHER COMPREHENSIVE INCOME (LOSS)	$ -	$ -

The accompanying notes are an integral part of these [consolidated] financial statements.

COMPANY, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Convertible Preferred Stock Series A		Convertible Preferred Stock Series B		Convertible Preferred Stock Series C		Common Stock		Additional Paid-In Capital	Accumulated Deficit**	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity**
	Shares	Par Value	Shares	Par Value	Shares	Par Value	Shares	Par Value				
BALANCE—January 1, 2021	-	$ -	-	$ -	-	$ -	-	$ -	$ -	$ -	$ -	$ -
Net income (loss)												-
Issuance of Series C convertible preferred stock—net of issuance costs of $__________												-
Issuance of common stock for options exercised												-
Stock-based compensation expense												-
Other comprehensive income (loss)												-
BALANCE - December 31, 2021	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss)												-
Issuance of common stock for options exercised												
Stock-based compensation expense												-
Other comprehensive income (loss)												-
BALANCE - December 31, 2022	-	$ -	-	$ -	-	$ -	-	$ -	$ -	$ -	$ -	$ -

**Dependent upon results from operations, the following should be presented as either "Stockholders' equity/deficit" and "Accumulated retained earnings/deficit" throughout the financial statements and relevant disclosures.

The accompanying notes are an integral part of these [consolidated] financial statements.

COMPANY, INC.

[CONSOLIDATED] STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ -	$ -
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization		
Amortization of ROU asset—finance leases		
Noncash lease expense—operating leases		
Unrealized gain (loss) on foreign exchange		
Provision for doubtful accounts receivable		
Stock-based compensation		
Change in fair value of warrants		
Amortization of debt discount and debt issuance costs		
Loss on disposal of property and equipment		
Deferred taxes		
Changes in operating assets and liabilities:		
Accounts receivable		
Prepaid expenses and other current assets		
Other noncurrent assets		
Deferred contract costs		
Accounts payable and accrued expenses		
Other current liabilities		
Other noncurrent liabilities		
Deferred revenue		
Lease liability—operating leases		
Net cash provided by (used in) operating activities	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment		
Capitalized software development costs		
Net cash used in investing activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal paid—finance leases		
Proceeds from the issuance of Series C preferred stock		
Convertible preferred stock issuance costs		
Proceeds from issuance of common stock		
Repayment of debt		
Proceeds from issuance of debt (credit facility)		
Debt issuance costs (credit facility)		
Net cash provided by financing activities	-	-
EFFECT OF EXCHANGE RATE CHANGES ON CASH		
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	-	-
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH—Beginning of year		
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH—End of year	$ -	$ -
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest	$ -	$ -
Cash paid for income taxes	$ -	$ -
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Vesting of early exercised options	$ -	$ -
Property and equipment financed by accounts payable and accrued expenses	$ -	$ -

The accompanying notes are an integral part of these [consolidated] financial statements.

1. DESCRIPTION OF BUSINESS

COMPANY, Inc. (the "Company" or "COMPANY"), was incorporated in [State] in 200X. [The Company is a software-as-a-service (SaaS) provider of application performance management tools. The Company provides an all-in-one Web application performance tool that lets clients monitor performance from the end-user experience down to the line of application code. The Company's product allows users to manage Web applications deployed in a cloud or in a data center. COMPANY's Web application performance tool enables developers and operations teams to monitor, troubleshoot, and optimize their Web applications. In [Month] 201X, the Company launched a new product allowing clients to monitor mobile applications in addition to Web applications.]

The Company is located and headquartered in [City, State]. Other offices operated by the Company are in [City2, State2 and City3, Province/Country3]. All subsidiaries are wholly owned by the Company. The Company's revenues are derived primarily from operations in the United States.

*[**Guidance Note:*** Refer to Accounting Standards Codification (ASC) 275 for further guidance on the required disclosures for the Company's Description of Business.]

Risks and Uncertainties—The Company is subject to a number of risks similar to those of other companies of similar size in its industry, including, but not limited to, the need for successful development of products, the need for additional capital (or financing) to fund operating losses (see below), competition from substitute products and services from larger companies, protection of proprietary technology, patent litigation, dependence on key individuals, and risks associated with changes in information technology.

[***Guidance Note***: Refer to ASC 205-40, *Presentation of Financial Statements*, if the Company believes there may be substantial doubt about its ability to continue as a going concern, for additional required disclosures which require the Company to state Management concluded that there is substantial doubt about its ability to continue as a going concern.]

[*Only applicable if there is an assumption of uncertainty*] The Company has incurred net losses, and utilized cash in operations since inception, has an accumulated deficit as of December 31, 2022, of $__________, as well as expects to incur future additional losses. The Company has cash available on hand and believes that this cash will be sufficient to fund operations and meet its obligations as they come due within one year from the date these financial statements are issued. In the event that the Company does not achieve the revenue anticipated in its current operating plan, management has the ability and commitment to reduce operating expenses as necessary. The Company's long-term success is dependent upon its ability to successfully raise additional capital, market its existing services, increase revenues, and, ultimately, achieve profitable operations.

The Company's [consolidated] financial statements have been prepared on a going-concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation—The [consolidated] financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP).

[***Principals of Consolidation***—The consolidated financial statements include the accounts of COMPANY, Inc. and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.]

Use of Estimates—The preparation of financial statements in accordance with US 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 amounts of income and expense during the reporting period. [e.g., The most significant estimates relate to the selection of useful lives of property and equipment, capitalization of internally developed software and associated useful lives, acquired intangible assets and associated useful lives, determination of fair value of the Company's common stock and convertible preferred stock, and the determination of the fair value of stock option grants]. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, and makes adjustments when facts and circumstances dictate. These estimates are based on information available as of the date of the financial statements; therefore, actual results could differ from those estimates.

[***Foreign Currency***—The Company's reporting currency is the US dollar. The functional currency of the Company's foreign subsidiary is the local currency (UK pounds sterling), as it is the monetary unit of account of the principal economic environment in which the Company's foreign subsidiary operates. All assets and liabilities of the foreign subsidiary are translated at the current exchange rate as of the end of the period, and revenue and expenses are translated at average exchange rates in effect during the period. The gain or loss resulting from the process of translating foreign currency financial statements into US dollars is reflected as a foreign currency cumulative translation adjustment and reported as a component of accumulated other comprehensive income (loss). Foreign currency transaction gains and losses resulting from or expected to result from transactions denominated in a currency other than the functional currency are recognized in other income (expense), net in the [consolidated] [income statements]/[statements of operations.]

Comprehensive Income (Loss)—Comprehensive income (loss) consists of two components, net income (loss) and other comprehensive income (loss), net of tax. The Company's other comprehensive income (loss), net of tax, consists of foreign currency translation adjustments that result from consolidation of its foreign entity/entities.

Cash and Cash Equivalents—The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents. Cash and cash equivalents are recorded at cost, which approximates fair value. As of December 31, 2022 and 2021, cash consists primarily of checking and savings deposits. The Company's cash balances exceed those that are federally insured. To date, the Company has not recognized any losses caused by uninsured balances.

Restricted Cash—The Company classifies all cash whose use is limited by contractual provisions as restricted cash. Restricted cash arises from the requirement for the Company to maintain cash of $ as collateral for [two] letters of credit in favor of the Company's landlord[s]. The Company may not access these funds until it vacates this office space. The termination date for these leases is [date].

	2022	2021
Reconciliation of cash, cash equivalents, and restricted cash:		
Cash and cash equivalents	$ -	$ -
Restricted cash		
Total cash, cash equivalents, and restricted cash	$ -	$ -

[***Guidance Note*****:** In November 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The new guidance requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Entities will also be required to reconcile such total to amounts on the [consolidated] balance sheet and disclose the nature of the restrictions. ASU No. 2016-18 is effective for fiscal years beginning after December 15, 2018, and early adoption is permitted.]

Accounts Receivable and Allowance for Doubtful Accounts—Accounts receivable are stated at net realizable value. The majority of customers are not extended credit and therefore time to maturity for receivables is short. On a periodic basis, management evaluates its accounts receivable and determines whether to provide an allowance or if any accounts should be written off based on past history of write-offs, collections, and current credit conditions. A receivable is considered past due if the Company has not received payments based on agreed-upon terms. The balances as of January 1, 2021, December 31, 2021, and December 31, 2022, are comprised primarily of compensation credits of $_____ million, $_____ million, and $_____ million, respectively. The Company generally does not require any security or collateral to support its receivables. The allowance for doubtful accounts was $__________, $__________, and $__________ as of January 1, 2021, December 31, 2021, and December 31, 2022, respectively.

Property and Equipment—Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the assets. The Company uses an estimated useful life of [two] years for employee-related computers, [three] years for other office equipment and site-related computer hardware and software, and [five] years for furniture. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful life of the related asset.

Intangible Assets—The Company's intangible assets consist primarily of its internally developed software. Intangible assets with finite lives are recorded at their estimated fair value at the date of acquisition and are amortized over their estimated useful lives using the straight-line method. The internally developed software is amortized over a [X]-year useful life.

Debt Issuance Costs—Costs incurred in connection with the issuance of the Company's long-term debt have been recorded as a direct reduction against the debt and amortized over the life of the associated debt as a component of interest expense using the effective interest method.

[***Guidance Note*:** After the Adoption of ASU No. 2015-03 (previously ASC 835-30-45-1A), the FASB considered but ultimately decided against providing guidance on the [consolidated] balance sheet presentation of (1) debt issuance costs incurred before the debt liability is recognized (e.g., before the debt proceeds are received) and (2) costs associated with line-of-credit or revolving-debt arrangements. Accordingly, an entity should elect an accounting policy for the presentation of such costs (i.e., as a direct deduction of the liability (a contra-liability) or present remaining unamortized debt issuance costs associated with a line of credit or revolving-debt arrangement as an asset even if the entity currently has a recognized debt liability for amounts outstanding under the arrangement.)]

Convertible Preferred Stock Warrant Liability—Freestanding warrants to purchase convertible preferred stock are accounted for as liability awards and recorded at fair value on their initial issuance date and adjusted to fair value at each [consolidated] balance sheet date, with the change in fair value being recorded as a component of other income and expense.

Revenue—The Company generates its revenues from subscription-based arrangements that allow customers to access its on-demand application service. Subscription fees vary depending on the optional features selected by customers. SaaS arrangements are generally month-to-month or annual, with fixed fees.

Revenues are recognized when control of the promised goods or services is transferred to a customer in an amount that reflects the consideration that the Company expects to receive in exchange for those services.

The Company applies the following five steps under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 606, *Revenue From Contracts with Customers*, in order to determine the appropriate amount of revenue to be recognized as it fulfills its obligations under each of its arrangements:

- identify the contract with a customer,
- identify the performance obligations in the contract,
- determine the transaction price,
- allocate the transaction price to performance obligations in the contract, and
- recognize revenue as the performance obligation is satisfied.

The Company estimates the transaction price, including variable consideration, at the commencement of the contract and recognizes revenue over the contract term rather than when fees become fixed or determinable.

The services provided by the Company for the subscription-based arrangements are considered stand-ready performance obligations where customers benefit from the services evenly throughout the service period. Revenue is primarily recognized on a ratable basis over the contractual subscription period of the arrangement beginning when or as control of the promised services is transferred to the]customer as this reflects the pattern of transfer for these services, which is generally from one to 12 months.

Payment Terms—The Company’s payment terms generally include advance payment requirements through the use of a credit card. The time between a customer’s payment and the receipt of funds is not significant. The Company’s contracts with customers do not result in significant obligations associated with returns, refunds, or warranties. The Company’s payment terms are generally fixed and do not include variable revenues.

Deferred Contract Costs—The Company capitalizes commission expenses paid to internal sales personnel that are incremental to obtaining customer contracts. Costs related to the initial signing of contracts are amortized over the average customer life, which has been estimated to be [two] years. The Company determined the period of benefit by taking into consideration the length of terms in its customer contracts, including renewals and extensions. Amounts expected to be recognized within one year of the [consolidated] balance sheet date are recorded as deferred contract costs, current; the remaining portion is recorded as deferred contract costs, noncurrent in the [consolidated] balance sheet. Amortization expense is included in sales and marketing expenses in the [consolidated] statement of operations.

The following table represents a roll forward of the Company's deferred contract costs:

Balance as of January 1, 2022	$ -
Additions to deferred contract costs	
Amortization of deferred contract costs	
Balance as of December 31, 2022	$ -
Balance as of January 1, 2021	$ -
Additions to deferred contract costs	
Amortization of deferred contract costs	
Balance as of December 31, 2021	$ -

Contract Assets and Contract Liabilities (Deferred Revenue)—A contract asset results when goods or services have been transferred to the customer, but payment is contingent upon a future event, other than the passage of time (i.e., type of unbilled receivable). The Company does not have any material unbilled receivables, therefore, does not have any contract assets. The Company only has accounts receivable as disclosed on the face of the Company's [consolidated] balance sheet.

The Company records contract liabilities to deferred revenue when the Company receives customer payments in advance of the performance obligations being satisfied on the Company's contracts. The Company generally invoices its customers monthly, quarterly, or annually in advance of services being provided.

The components of contract assets and contract liabilities consisted of the following:

	January 1, 2021	December 31, 2021	December 31, 2022
Contract assets—current*			
Unbilled revenue	$ -	$ -	$ -
Capitalized commissions			
Contract assets			
Total contract assets—current	$ -	$ -	$ -
Contract assets—noncurrent*			
Unbilled revenue	$ -	$ -	$ -
Capitalized commissions			
Contract assets			
Total contract assets—noncurrent	$ -	$ -	$ -
Contract liabilities*			
Deferred revenue	$ -	$ -	$ -
Other contract liabilities			
Total contract liabilities—current	$ -	$ -	$ -
Contract liabilities	$ -	$ -	$ -
Deferred revenue			
Total contract liabilities—noncurrent	$ -	$ -	$ -

* [Note to User] Upon billings, if there is a recorded gross-up of accounts receivable and deferred revenue, an additional disclosure may be necessary for the amount of the gross-up for the presented periods.

Deferred revenue and other contract liabilities are reported as contract liabilities in the accompanying [consolidated] balance sheets. Contract liabilities include payments received and billings made in advance of the satisfaction of performance obligations under the contract and are realized when the associated revenue is recognized under the contract. Contract assets include (i) unbilled revenue, which is the amount of revenue recognized in excess of the amount billed to customers, where the rights to payment are not just subject to the passage of time; and (ii) costs incurred to fulfill contract obligations. Other contract assets and other contract liabilities primarily relate to contract commissions on customer contracts.

Cost of Revenue—Cost of revenue consists primarily of hosting costs, merchant and credit card processing fees, depreciation and amortization, consulting costs, compensation, employee benefits, and stock-based compensation of operations and support personnel associated with the delivery of the Company’s SaaS products to its customers and the amortization of capitalized software costs for the Company’s proprietary technology.

Research and Development—Research and development costs that do not meet the criteria for capitalization are expensed as incurred. Research and development expenses include compensation, employee benefits, and stock-based compensation for technology developers and product management employees, as well as fees paid to outside consultants.

Sales and Marketing—Sales and marketing expenses consist of compensation, employee benefits, and stock-based compensation of sales and marketing employees, as well as commissions, travel, trade show sponsorships and events, conferences, and Internet advertising costs. Fees paid to third parties and merchants for new customer referrals are included in sales and marketing. Costs associated with the Company's advertising are expensed as incurred and are included in sales and marketing expenses. Advertising expense was $__________ and $__________ for the years ended December 31, 2022 and 2021, respectively.

General and Administrative—General and administrative expenses include compensation, employee benefits, and stock-based compensation for executive management, finance administration and human resources, facility costs (including rent), bad debt costs, professional service fees, and other general overhead costs, including depreciation, to support the Company's operations.

Software Development Costs—The Company capitalizes on certain development costs incurred in connection with its internal use of software and website. These capitalized costs are primarily related to its performance tool which is hosted by the Company and accessed by its customers via a web application on a subscription basis. Costs incurred in the preliminary stages of development are expensed as incurred. Once an application has reached the development stage, internal and external costs, if direct and incremental, are capitalized until the software is substantially complete and ready for its intended use. Capitalization ceases upon completion of all substantial testing. The Company also capitalizes costs related to specific upgrades and enhancements when it is probable the expenditures will result in additional features and functionality. Maintenance costs are expensed as incurred. Internal use software is amortized on a straight-line basis over its estimated useful life, generally three years. The Company capitalized $__________ and $__________ in internal-use software during the years ended December 31, 2022 and 2021, respectively. Included in the 2022 capitalized development costs are $__________ in stock-based compensation costs. Included in the 2021 capitalized development costs are $__________ in stock-based compensation costs. Amortization expenses totaled $__________ and $__________ during the years ended December 31, 2022 and 2021, respectively. The net book value of capitalized internal-use software as of December 31, 2022 and 2021, which is recorded in intangible assets on the accompanying [consolidated] balance sheets, was $__________ and $__________, respectively.

[*Alternate Disclosure if the Company Has not Capitalized Related Costs:* The Company has not capitalized any development costs as the Company has not historically maintained sufficiently detailed records of its internal development activity to capitalize such costs.]

Lessee Arrangements [*Reflects the required qualitative policy disclosures*]: The Company leases certain equipment, vehicles, furniture, and office space under various operating and finance leases. The Company determines if an arrangement is or contains a lease at the lease inception date by evaluating whether the arrangement conveys the right to use an identified asset and whether the Company obtains substantially all of the economic benefits from and has the ability to direct the use of the asset. Leases with an initial term of twelve months or less are not recorded on the [consolidated] balance sheets.

ASC 842, *Leases*, ("Topic 842") includes various practical expedients that can be elected for new leases that are executed after the adoption of the new requirements. The Company elected the practical expedient to not separate lease and nonlease components. The Company also elected to apply the short-term lease recognition exemption, which eliminates the requirement to present on the [consolidated] balance sheets leases with a term of 12 months or less. These two practical expedients were elected for all classes of underlying assets.

At the lease commencement date, the Company recognizes a lease liability and a right-of-use (ROU) asset representing its right to use the underlying asset over the lease term. The initial measurement of the lease liability is calculated on the basis of the present value of the remaining lease payments and the ROU asset is measured on the basis of this liability, adjusted by prepaid and accrued rent, lease incentives, and initial direct costs. The subsequent measurement of a lease is dependent on whether the lease is classified as an operating lease or a finance lease. Operating lease cost is recognized on a straight-line basis over the lease term, with the cost presented as a component of general and administrative expenses line items, respectively, in the [consolidated] Statement of Operations. Finance lease cost is composed of a separate interest component and amortization component and is presented as a component of the depreciation and amortization and Interest expense line items, respectively, in the [consolidated] statement of operations.

The Company's leases require other payments, such as costs related to service components, real estate taxes, common area maintenance, and insurance. These costs are generally variable in nature and based on the actual costs incurred and required by the lease. As the Company has elected not to separate lease and nonlease components for all classes of underlying assets, all variable costs associated with the lease are expensed in the period incurred and presented and disclosed as variable lease costs. The Company's lease agreements do not contain any material residual value guarantees or material restrictive financial covenants. The Company does not have any leases that have not yet commenced that create significant rights and obligations for the lessee.

As of the application date of Topic 842, the Company's leases have remaining terms ranging from 1 to __ years, with some of those leases including options that grant the Company the ability to renew or extend the lease term. When determining the lease term, the Company does not include renewal options unless the renewals are deemed to be reasonably certain of being exercised at the lease commencement date.

Topic 842 requires that a lessee use the rate implicit in the lease when measuring the lease liability and ROU asset, unless that rate is not readily determinable. Alternatively, the Company is permitted to use its incremental borrowing rate, which is defined as the rate of interest that the Company would have to pay to borrow on a collateralized basis over a similar term, an amount equal to the lease payments in a similar economic environment. Since the rate implicit in the lease is not readily determinable, the Company uses its incremental borrowing rate when measuring its leases. The IBR is calculated by utilizing the daily treasury yield curve rates, as published by the US Department of the Treasury, adjusted with a risk base spread. The Company updates the rate quarterly and utilizes the treasury rate yields as of the first business day of each quarter for all new leases entered during that quarter. Rates are in one-year increments up to 10 years. All leases in excess of 10 years utilize the 10-year rate.

The Company has included additional disclosures about its operating and finance leases in Note 6.

Impairment of Long-Lived Assets—The Company assesses long-lived assets for impairment in accordance with the provisions of Financial Accounting Standards Board ASC 360, *Property, Plant, and Equipment. Long-lived assets (asset group)*, such as property and equipment and capitalized software development costs subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted future cash flows expected to result from the use and eventual disposition of the asset. The amount of impairment loss, if any, is measured as the difference between the carrying value of the asset and its estimated fair value. Fair value is determined through various valuation techniques, including discounted cash flow models, quoted market values, and third-party independent appraisals, as considered necessary. As of December 31, 2022 and 2021, no impairment charge has been recorded.

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 [consolidated] financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. 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. A valuation allowance is recorded for deferred tax assets if it is more likely than not that some portion or all of the deferred tax assets will not be realized. As of December 31, 2022 and 2021, the Company has recorded a full valuation allowance against its deferred tax assets (see Note 14).

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

The Company records interest related to unrecognized tax benefits in interest expense and penalties in [general and administrative expenses or income tax expense].

Stock-Based Compensation—The Company measures and records the expense related to stock-based payment awards based on the fair value of those awards as determined on the date of grant. The Company recognizes stock-based compensation expense over to the vesting period, and uses the straight-line method to recognize stock-based compensation. Forfeitures are recorded as they occur. For stock options with performance conditions, the Company records compensation expenses when it is deemed probable that the performance condition will be met. The Company uses the Black-Scholes-Merton (“Black-Scholes”) option-pricing model to determine the fair value of stock awards. The Company selected the Black-Scholes option-pricing model as the method for determining the estimated fair value for stock options. The Black-Scholes option-pricing model requires the use of highly subjective and complex assumptions, which determine the fair value of share-based awards, including the option’s expected term and the price volatility of the underlying stock. The Company calculates the fair value of options granted by using the Black-Scholes option-pricing model with the following assumptions:

Expected Volatility—The Company estimated volatility for option grants by evaluating the average historical volatility of a peer group of companies for the period immediately preceding the option grant for a term that is approximately equal to the option’s expected term.

Expected Term—The expected term of the Company’s options represents the period that the stock-based awards are expected to be outstanding. The Company has elected to use the average of the stock options vesting term and contractual expiration period to compute the expected term, as the Company does not have sufficient historical information to develop reasonable expectations about future exercise patterns and post vesting employment termination behavior.

Risk-Free Interest Rate—The risk-free interest rate is based on the implied yield currently available on US Treasury zero-coupon issues with a term that is equal to the option's expected term at the grant date.

Dividend Yield—The Company has not declared or paid dividends to date and does not anticipate declaring dividends. As such, the dividend yield has been estimated to be zero.

The Company adopted Account Standards Update ("ASU") No. 2016-09, *Improvements to Employee Share-Based Payment Accounting* ("ASU 2016-09") on [January 1, 2018]. The standard is intended to simplify several areas of accounting for share-based compensation arrangements, including the income tax impact and classification on the [consolidated] statement of cash flows. Upon adoption, the Company elected to record forfeitures as they occur. The Company adopted the guidance in the prior year, and the result was immaterial to the [consolidated] financial statements.

Fair Value Measurements—Fair value accounting is applied for all assets and liabilities and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the [consolidated] financial statements on a recurring basis (at least annually). Fair value is defined as the exchange price that would be received for an asset or an exit price that would be paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Company follows the established framework for measuring fair value and expands disclosures about fair value measurements (see Note 3).

Concentrations of Credit Risk—Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and trade accounts receivable. The Company invests its excess cash in money market funds and certificates of deposit with a financial institution.

Employee Benefit Plan—The Company sponsors a qualified 401(k) defined contribution plan covering eligible employees. Participants may contribute a portion of their annual compensation limited to a maximum annual amount set by the Internal Revenue Service. There were no employer contributions under this plan for fiscal 2022 and 2021.

Recent Accounting Pronouncements—[***Guidance Note*****:** Companies are only required to disclose those recent accounting pronouncements which could reasonably be expected to be material to the Company.]

Example for Adopting ASC Topic 842

In February 2016, the FASB issued ASU No. 2016-02, *Leases that added Accounting Standards Codification ASC Topic 842*. The ASU and subsequent amendments are designed to increase transparency and comparability among organizations with leasing activities. The most significant provision of the new lease accounting standard is the requirement that lessees recognize on the [consolidated] balance sheet ROU assets and lease liabilities for leases that have a term greater than 12 months. The new standard also includes significantly enhanced disclosures.

The Company adopted Topic 842 on January 1, 2022, using the modified retrospective approach as permitted in ASU No. 2018-11. In accordance with this approach, the effective date of Topic 842 is also the application date of the new requirements, with the prior comparative periods presented in the [consolidated] financial statements in accordance with the legacy requirements of ASC Topic 840, Leases ("Topic 840").

Topic 842 includes various transition practical expedients that are available when adopting the new standard. The Company elected the package of practical expedients, which allows for the carryforward of certain accounting conclusions for arrangements that qualified as a lease under Topic 840. As a result, the Company was not required to nor did it reassess (i) whether existing or expired contracts met the definition of a lease, (ii) lease classification for any existing or expired leases, or (iii) whether lease origination costs qualified as initial direct costs. The Company did not elect the practical expedient to use hindsight in determining the lease term and in assessing impairment conclusions on the ROU assets. The Company similarly did not elect the land easement practical expedient, which allows it to continue to account for preexisting land easements under the accounting policy that existed before the adoption of the lease standard.

The most significant impact of the adoption of Topic 842 was the recognition of operating lease liabilities and ROU assets of $__________ and $__________, respectively, while the Company's accounting for existing capital leases (now referred to as finance leases) remained substantially unchanged. In addition, the adoption of ASC 842 resulted in the derecognition of certain real estate assets and the related financing obligations for certain sale and leaseback transactions that did not qualify for sale recognition under Topic 840 requirements but now qualify for sale under Topic 842. The derecognition of such balances resulted in a cumulative effect adjustment to beginning retained earnings of $__________. On a prospective basis, the Company will account for these arrangements as operating leases. See Note 6 for additional information.

3. FAIR VALUE MEASUREMENTS

The Company reports all financial assets and liabilities and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the [consolidated] financial statements on a recurring basis. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The authoritative guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1—Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2—Inputs are observable, unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the related assets or liabilities.

Level 3—Inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement in its entirety.

The [consolidated] financial statements as of and for the years ended December 31, 2022 and 2021, do not include any nonrecurring fair value measurements relating to assets or liabilities.

The fair value measurements of assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2022, are as follows:

	Year Ended December 31, 2022		
Fair Value Hierarchy	**Level 1**	**Level 2**	**Level 3**
Liabilities—convertible preferred stock warrants	$ -	$ -	$ -

The fair value measurements of assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2021, are as follows:

	Year Ended December 31, 2021		
Fair Value Hierarchy	**Level 1**	**Level 2**	**Level 3**
Liabilities—convertible preferred stock warrants	$ -	$ -	$ -
Total liabilities	$ -	$ -	$ -

The Company measures the convertible preferred stock warrants using Level 3 unobservable inputs within either the Black-Scholes option-pricing model. The Company used various key assumptions, such as the fair value of the convertible preferred stock, volatility, the risk-free interest rate, and expected term (remaining contractual term of the warrants). The Company monitors the fair value of the convertible preferred stock warrants annually, with subsequent gains and losses from remeasurement of Level 3 financial liabilities recorded through the other expense, net in the [consolidated] [income statement] / [statement of operations]. Generally, increases (decreases) in the fair value of the underlying stock and estimated term would result in a directionally similar impact to the fair value measurement.

A summary of the changes in the fair value of the Company's Level 3 financial instruments for the years ended December 31, 2022 and 2021, is as follows:

	2022	**2021**
Balance—beginning of period	$ -	$ -
Fair value at issuance		
Change in fair value		
Balance—end of period	$ -	$ -

4. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2022 and 2021, are composed of the following:

	2022	**2021**
Computer equipment and software	$ -	$ -
Furniture and office equipment		
Leasehold improvements		
Total property and equipment	-	-
Property and equipment—net	$ -	$ -

Total depreciation expense for the years ended December 31, 2022 and 2021, was $__________ and $__________, respectively.

The Company has not acquired any property and equipment under finance leases.

5. CAPITALIZED SOFTWARE AND INTANGIBLES, NET

Capitalized software and intangibles as of December 31, 2022 and 2021, consisted of the following:

	2022	2021
Capitalized software	$ -	$ -
[Other intangible]		
Subtotal	-	-
Less accumulated amortization		
	$ -	$ -

Total amortization expense for capitalized software development costs for the years ended December 31, 2022 and 2021, was $__________ and $__________, respectively. As of December 31, 2022, expected amortization expense over the remaining intangible asset lives is as follows:

2023	$ -
2024	
2025	
2026	
Thereafter	

6. LEASES [EXAMPLE FOR YEAR OF ADOPTION]

The Company lease certain real estate, equipment, vehicles, and furniture under various third-party operating and finance lease agreements. The leases are noncancelable and expire on various terms through 20__. The amounts in the tables below do not reflect payments for leases that have not yet commenced in the amount of $__________. In addition, the Company has a number of related party leases (see Note 15 for additional discussion of such arrangements). The Company does not have any leases that impose restrictions or covenants [CUSTOMIZE IF RESTRICTIONS OR COVENANTS EXIST]. The Company maintains security deposits totaling $__________ and $__________ as of December 31, 2022 and 2021, respectively, in conjunction with its current leases.

The following table presents the components of the Company's lease cost and the classification of such costs in the Company's [consolidated] Statements of Operations for the year ended December 31, 2022:

Component of Lease Cost	Statements of Operations Line Item(s)	2022
Operating lease cost	[describe line item]	$ -
Finance lease expense:		
Amortization of leased assets	[describe line item]	
Interest on lease liabilities	[describe line item]	
Variable lease cost	[describe line item]	
Short-term lease cost	[describe line item]	
Sublease income	[describe line item]	
Total lease expense		$ -

The sublease income in the table relates to a lease [sublease] of [DESCRIBE SUBLEASE] that has a remaining term of X years.

The following table discloses the supplemental cash flow information related to leases for the year ended December 31, 2022, are as follows:

	2022
Operating cash flows from operating leases	$ -
Operating cash flows from finance leases	
Financing cash flows from finance leases	
Total	$ -

The following table includes a summary of the ROU assets obtained in exchange for lease liabilities for year ended December 31, 2022, as follows:

	2022
Operating leases	$ -
Finance leases	
Total	$ -

The following table includes the weighted-average lease terms and discount rates for operating and finance leases as of December 31, 2022:

Weighted-average remaining lease term:	
Operating leases	___ years
Finance leases	___ years
Weighted-average discount rate:	
Operating leases	___ %
Finance leases	___ %

The following table includes the future maturities of lease payments for operating leases and finance leases for periods subsequent to December 31, 2022:

Year Ended December 31,	Operating Lease	Finance Lease	Total
2023	$ -	$ -	$ -
2024			-
2025			-
2026			-
2027			-
Thereafter			-
Total lease payments	-	-	-
Less: liability accretion/imputed interest			-
Total lease liabilities	-	-	-
Less: current lease liabilities			-
Total long-term lease liabilities	$ -	$ -	$ -

The following table includes the future maturities of minimum rental payments that are required to be paid under all noncancelable operating leases and capital leases obligations for periods subsequent to December 31, 2021, prior to the adoption of Topic 842:

Year Ended December 31,	Operating Lease	Capital Lease
2022	$ -	$ -
2023		
2024		
2025		
2026		
Thereafter		
Total minimal rental payments	-	-
LESS: Amount representing interest		
Subtotal	-	-
Current portion		
Long-term portion	$ -	$ -

Rental expense under operating leases, including short-term leases, was $______ in the year ended December 31, 2021. Included in rental expense was sublease income of $______ , which was recorded as [a reduction of rental expense] [other revenue].

Leases [*Example When ASC 842 is Already Adopted*]

The Company leases certain real estate, equipment, vehicles, and furniture under various third-party operating and finance lease agreements. The leases are noncancelable and expire on various terms through 20__. The amounts in the tables below do not reflect payments for leases that have not yet commenced in the amount of $__________. In addition, the Company has a number of related party leases (see Note 15 for additional discussion of such arrangements). The Company does not have any leases that impose restrictions or covenants [customize if restrictions or covenant exist]. The Company maintains security deposits totaling $__________ and $__________ as of December 31, 2022 and 2021, respectively, in conjunction with its current leases.

The following table presents the components of the Company's lease cost and the classification of such costs in the Company's [consolidated] Statements of Operations for the years ended December 31, 2022 and 2021:

Component of Lease Cost	Statements of Operations Line Item(s)	2022	2021
Operating lease cost	[describe line item]	$ -	$ -
Finance lease expense:			
Amortization of leased assets	[describe line item]		
Interest on lease liabilities	[describe line item]		
Variable lease cost	[describe line item]		
Short-term lease cost	[describe line item]		
Sublease income	[describe line item]		
Total lease expense		$ -	$ -

The sublease income in the table relates to a lease [sublease] of [describe sublease] that has a remaining term of X years.

The following table disclosures the supplemental cash flow information related to leases for the years ended December 31, 2022 and 2021, are as follows:

	2022	2021
Operating cash flows from operating leases	$ -	$ -
Operating cash flows from finance leases		
Financing cash flows from finance leases		
Total	$ -	$ -

The following table includes a summary of the ROU assets obtained in exchange for lease liabilities for years ended December 31, 2022 and 2021, as follows:

	2022	2021
Operating leases	$ -	$ -
Finance leases		
Total	$ -	$ -

The following table includes the weighted-average lease terms and discount rates for operating and finance leases as of December 31, 2022 and 2021, are as follows:

	2022	2021
Weighted-average remaining lease term:		
Operating leases	___ years	___ years
Finance leases	___ years	___ years
Weighted-average discount rate:		
Operating leases	___ %	___ %
Finance leases	___ %	___ %

The following table includes the future maturities of lease payments for operating leases and finance leases for periods subsequent to December 31, 2022:

Year Ended December 31,	Operating Lease	Finance Lease	Total
2023	$ -	$ -	$ -
2024			-
2025			-
2026			-
2027			-
Thereafter			-
Total lease payments	-	-	-
Less: liability accretion/imputed interest			-
Total lease liabilities	-	-	-
Less: current lease liabilities			-
Total long-term lease liabilities	$ -	$ -	$ -

7. OTHER LIABILITIES

Other current liabilities as of December 31, 2022 and 2021, are composed of the following:

	2022	2021
Sales tax payable	$ -	$ -
Deferred tax liability:		
Accrued liabilities		
Deferred rent*		
Other payables		
Total other current liabilities	$ -	$ -

* Only applicable for fiscal periods prior to adoption of ASC 842 "Leases"

Other noncurrent liabilities as of December 31, 2022 and 2021, are composed of the following:

	2022	2021
Convertible preferred stock warrant liability (Note 9)	$ -	$ -
Other		
Total other noncurrent liabilities	$ -	$ -

8. COMMITMENTS AND CONTINGENCIES

Leases—The Company leases office spaces under noncancelable operating lease agreements, which expire from 2022 through 2027. The Company is required to pay property taxes, insurance, and normal maintenance costs for certain of these facilities and will be required to pay any increases over the base year of these expenses on the remainder of the Company's facilities.

Deferred Rent—Certain of the Company's operating leases contain predetermined fixed escalations of minimum rentals during the lease term. For these leases, the Company recognizes the related rental expense on a straight-line basis over the life of the lease from the date the Company takes possession of the office and records the difference between amounts charged to operations and amounts paid as deferred rent. As part of its lease agreements, the Company may receive lease incentives, primarily tenant improvement allowances and free rent. These allowances and free rent are also deferred and are amortized as a reduction of rent expense on a straight-line basis over the lease term. As of December 31, 2021, $__________, respectively, had been accrued.

Rental expense for operating leases for the years ended December 31, 2022 and 2021, was $__________ and $__________, respectively.

Future minimum lease payments under noncancelable operating leases as of December 31, 2022, are as follows: [The following table is included under ASC 840 in the year of adoption of ASC 842, however, the following table is removed when all years presented follow ASC 842.]

Years Ending December 31,	Operating Leases
2023	$ -
2024	
2025	
2026	
Thereafter	

[***Sales Tax***—The Company determined that it was required to pay sales and use tax in various jurisdictions. Accordingly, the Company has recorded a liability of $ as of December 31, 2022, for the amount it estimates that it did not collect from customers, which includes estimated penalties and interest. The Company is in the process of filing voluntary disclosure agreements with certain jurisdictions and remitting the estimated sales tax. If these jurisdictions determine that additional amounts are necessary, the Company will be required to pay accordingly. Sales tax expense is included in general and administrative expenses on the [consolidated] statement of operations.]

Litigation—From time to time, the Company may become involved in various legal proceedings in the ordinary course of its business and may be subject to third-party infringement claims.

In the normal course of business, the Company may agree to indemnify third parties with whom it enters into contractual relationships, including customers, lessors, and parties to other transactions with the Company, with respect to certain matters. The Company has agreed, under certain conditions, to hold these third parties harmless against specified losses, such as those arising from a breach of representations or covenants, other third-party claims that the Company's products, when used for their intended purposes, infringe the intellectual property rights of such other third parties, or other claims made against certain parties. It is not possible to determine the maximum potential amount of liability under these indemnification obligations due to the Company's limited history of prior indemnification claims and the unique facts and circumstances that are likely to be involved in each particular claim.

From time to time, the Company is subject to various claims that arise in the ordinary course of business. Management believes that any liability of the Company that may arise out of or with respect to these matters will not materially adversely affect the financial position, results of operations, or cash flows of the Company.

[*Guidance Note:* This is not an exhaustive list of potential disclosures. Other items, such as long-term salary agreements, may apply depending upon the materiality of such items.]

9. LONG-TERM DEBT

Long-term Debt as of December 31, 2022 and 2021, consisted of the following:

	2022	2021
Term loan	$ -	$ -
Credit facility		
Total Long-term Debt	$ -	$ -

General—In [March 2019], the Company entered into a loan and security agreement with a bank (the "Lender") which provides a term loan that may be drawn in the aggregate amount of $__________ (the "Term Loan"). The ability to borrow under the agreement ends on [June 30, 2023]. The loan is to be repaid over a period of [36] months from the date of draw, including interest at [London InterBank Offered Rate ("LIBOR") + 0.75%] per annum.

In [June 2022], the Company entered into a Financing Agreement (the "Credit Facility") to draw up to a facility amount of $__________ on or prior to [June 30, 2023]. In accordance with the agreement, $ was drawn on the date of signing the agreement. The loan was to be repaid over a period of [36] months from the date of draw, including interest at [X]% per annum. The Company incurred $__________ of debt issuance costs, which have been recorded as a direct reduction against the debt and amortized over the life of the associated debt as a component of interest expense using the effective interest method. Borrowings under the Term Loan are collateralized by substantially all the assets of the Company.

Covenants—Under the terms of the Credit Facility, the Company is required to comply with certain financial and nonfinancial covenants. Any failure by the Company to comply with these covenants and any other obligations under the agreement could result in an event of default, which allows the Lender to accelerate the repayments of the amounts owed. As of December 31, 2022, the Company is compliant with its financial covenants.

Warrants—Per the Credit Facility Agreement, the Company also issued the Lender a warrant ("Credit Facility Warrant") to purchase [50,000] shares of convertible preferred stock in connection, which is exercisable for a [10-year] period. The initial strike price is $X per share. The Credit Facility Warrant may be exercised in whole or in part prior to i) the later of A) September 30, 2024, or B) three years after the closing of the Company's initial public offering of its common stock effected pursuant to a Registration Statement on Form S-1 filed under the Securities Act of 1933 or ii) immediately prior to the closing of an acquisition in which the issuer has a market cap of at least $__________. The Company valued these warrants using a Black-Scholes option-pricing model to estimate the fair value of the warrants as of December 31, 2022, which is based on significant inputs not observable in the market representing a Level 3 measurement within the fair value hierarchy based on a 10-year life, volatility of [X]%, and the fair value of the convertible preferred stock at the date of issuance, resulting in a fair value of $, which was recorded within liabilities and as a deferred financing cost offsetting the loan. The deferred financing costs will be amortized into interest expense over the term of the loan.

The Company will be required to repay the following principal amounts in connection with its debt obligations:

Years Ending December 31,	
2023	$ -
2024	
2025	
2026	
Thereafter	

L**INE OF CREDIT -** The Company has a revolving line of credit agreement with a bank with an annual interest rate of SOFR (secured overnight financing rate) _+ [X]% (effective rate 12/31/21 of [X]% and 12/31/22 of [X]%. On March 1, 2019, the Company extended the amount of its revolving line of credit with the Bank from up to $__________ under the original loan and security agreement dated [February 8, 2019] (the "Line of Credit Agreement"), to up to $__________. In connection with the extension, the maturity date of the line of credit was extended from [February 1, 2020, to January 1, 2023], and the Company issued the Bank a warrant to purchase up to [X] shares of the Company's Series B Preferred Stock at an exercise price per share equal to $ and a term of [10] years which were fully vested on issuance (the "Line of Credit warrant"). The Line of Credit warrant is classified as a liability in the [consolidated] balance sheet and is remeasured at each reporting date (see Note 3).

Under the terms of the Line of Credit Agreement and subsequent amendments, the Company is required to comply with certain financial and nonfinancial covenants. The terms of the facility also restrict the Company's ability to pay dividends and engage in mergers and acquisitions in the aggregate in excess of $____ during any fiscal year without prior approval from the Bank. Any failure by the Company to comply with these covenants and any other obligations under the Agreement could result in an event of default, which allows the bank to accelerate the repayments of the amounts owed. As of December 31, 2022, the Company is compliant with its financial covenants.

During 2022, the Company and the bank agreed to utilize a portion of the Company's available Line of Credit to provide security for the letter of credit agreement issued in connection with the new lease relocating its New York headquarters. This reduced the effective available credit facility by $__________.

On April 1, 2022, the Company drew down $__________ on the Line of Credit.

As of December 31, 2022 and 2021, borrowings of $__________ and $__________, respectively, were outstanding. As of December 31, 2022 and 2021, the Company recorded $__________ and $__________ in interest expense related to the line of credit and $ in interest expense related to the fair value adjustments and deferred costs associated with the warrants.

10. CONVERTIBLE PREFERRED STOCK

Convertible preferred stock as of December 31, 2022, consisted of the following:

	Shares Authorized	Shares Issued and Outstanding	Issuance Price Per Share	Carrying Value
Series A	$ -	$ -	$ -	$ -
Series B				
Series C				

The Company's certificate of incorporation, as amended, designates and authorizes the Company to issue shares of convertible preferred stock, of which shares are designated as Series A convertible preferred stock, shares are designated as Series B convertible preferred stock, and shares are designated as Series C convertible preferred stock.

The holders of Series A, Series B, and Series C convertible preferred stock have various rights and preferences as follows:

Voting—Each share of convertible preferred stock has voting rights equal to an equivalent number of shares of common stock into which it is convertible and votes together as one class with the common stock, except as below:

Holders of a majority of the Series A and B convertible preferred stock are entitled to elect, voting as a separate class, one member to the Company's board of directors (the "Board of Directors"). Holders of a majority of Series C convertible preferred stock are entitled to elect one member to the Board of Directors.

Holders of a majority of the common stock are entitled to elect, each voting separately as a class, one member to the Board of Directors.

Holders of common stock and convertible preferred stock are entitled to elect, voting together as a separate class on an as-converted basis, all [six] remaining directors.

Dividends—The holders of Series A, Series B, and Series C convertible preferred stock shall be entitled to receive, out of any funds legally available, noncumulative dividends prior and in preference to any dividends paid on the common stock, at the rate of _____% of the purchase price per share per annum, as adjusted for stock splits, stock dividends, combinations, recapitalizations, and similar transactions, when, as and if declared by the Board of Directors. After payment of such dividends on the Series A, Series B, and Series C convertible preferred stock, any additional dividends or distributions shall be distributed among all holders of Common Stock in proportion to the number of shares of Common Stock that would be held by each such holder if all shares of convertible preferred stock were converted to Common Stock at the then-effective conversion rate. Such dividends are not cumulative. No dividends have been declared or paid on the Company's convertible preferred stock.

Liquidation Preference—In the event of any liquidation, dissolution, or winding-up of the Company, the holders of convertible preferred stock shall be entitled to receive, ratably, prior and in preference to any distribution of the assets or funds of the Company to the holders of the common stock, an amount equal to the issuance price per share of $__________, $__________, and $__________ for Series A, Series B, and Series C, respectively, as adjusted for stock splits, stock dividends, combinations, recapitalizations, and similar transactions, plus any accrued and unpaid dividends and any other declared but unpaid dividends (the "Liquidation Preference"). If the Company has insufficient assets to permit payment of the Liquidation Preference in full to all holders of convertible preferred stock, then the assets of the Company shall be distributed ratably to the holders of convertible preferred stock in proportion to the Liquidation Preference such holders would otherwise be entitled to receive. [If the Company has insufficient assets to permit payment of the Liquidation Preference in full to all holders of convertible preferred stock, then the assets of the Company shall be distributed ratably to the holders of Series C convertible preferred stock. If any assets remain after distribution to holders of Series C convertible preferred stock, then the assets would be distributed ratably to the holders of Series B convertible preferred stock. If any assets remain after distribution to holders of Series C convertible preferred stock and Series B convertible preferred stock, then the assets would be distributed ratably to the holders of Series A convertible preferred stock.]

After payment of the Liquidation Preference to the holders of convertible preferred stock, the remaining assets of the Company shall be distributed ratably to the holders of common stock on a fully converted basis.

Redemption—Series A, Series B, and Series C of convertible preferred stock are not redeemable.

Conversion—Each share of preferred stock is convertible at the option of the holder, at any time after the date of issuance of such share, into shares of common stock as determined by dividing the original purchase price of convertible preferred stock by the conversion price in effect at the time of conversion for such series of preferred stock. The conversion price per share of Series A, Series B, and Series C convertible preferred stock shall be $__________, $__________, and $__________ per share, respectively, as defined by the Company's certificate of incorporation, as amended. As of December 31, 2022 and 2021, the conversion ratio for the preferred stock was one-to-one.

Each share of preferred stock will automatically be converted into shares of common stock at the then-effective conversion rate of such shares upon the earlier of (i) the closing of a firm commitment underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, covering the offer and sale of common stock of the Company to the public with offering proceeds to the Company in excess of $ (net of underwriters' discounts, concessions, commissions, and expenses) or (ii) the consent of holders of at least a majority of the then-outstanding shares of convertible preferred stock, voting together as a single class on an as-converted basis.

11. COMMON STOCK

As of December 31, 2022 and 2021, the Company had [X] and [Y] shares of common stock authorized and available to issue for purposes of satisfying conversion of preferred stock, the exercise of warrants, the exercise and future grant of common stock options, and for purposes of any future business acquisitions and transactions as follows:

12. STOCK OPTION PLAN

Stock Option Plans—In February 200X, the Company adopted the COMPANY, Inc., 200X Equity Incentive Plan (the "Plan"), pursuant to which the Board of Directors may grant nonstatutory stock options to purchase shares of the Company's common stock to outside directors and consultants and either nonstatutory or incentive stock options to purchase shares of the Company's common stock to employees. The Plan authorizes grants of options up to _________. In December 31, 2022, the Plan was restated to authorize an aggregate of _________ shares and _________ shares, respectively. Stock options must be granted with an exercise price equal to the stock's fair market value at the date of grant. Stock options generally have 10-year terms and vest over a four-year period starting from the date specified in each agreement. On February 1, 2020, the Board of Directors approved to increase the number of shares of the Company's common stock authorized for issuance by [X] shares from ______shares to _____shares. As of December 31, 2022, there were ______shares available for the Company to grant under the Plan.

A summary of the status of the employee and nonemployee stock options as of December 31, 2022, and changes during the year then ended is presented below (the number of options represents ordinary shares exercisable in respect thereof):

	Number of Shares	Weighted - Average Exercise Price	Weighted - Average Remaining Contractual Term (In Years)	Aggregate Intrinsic Value
	(In Thousands, Except per Share Amounts and Terms)			
Outstanding at January 1, 2022				
Options grants	-	$ -	-	$ -
Options exercised				
Options canceled/forfeited	-		-	
Outstanding at December 31, 2022	-	$ -	-	$ -
Vested and exercisable as of December 31, 2022	-	$ -	-	$ -

The weighted-average grant-date fair value of options granted during the years 2022 and 2021 was $__________ and $__________, respectively. The total intrinsic value of options exercised during the years ended December 31, 2022 and 2021, was $__________ and $__________, respectively.

The Company records compensation expenses on a straight-line basis over the vesting period. As of December 31, 2022, the total compensation cost not yet recognized related to unvested stock options was $__________, which is expected to be recognized over a weighted-average period of ___years.

Stock-Based Compensation Expense—Employees and Nonemployees—Stock-based compensation expense for both employees and nonemployees was $__________ and $__________ for the years ended December 31, 2022 and 2021, respectively.

The Company capitalized $ and $ of stock-based compensation expense as developed software during the fiscal years ended December 31, 2022 and 2021, respectively.

Cost of revenue, research and development, sales and marketing, and general and administrative expenses were as follows:

	2022		2021
Cost of revenue	$ -		$ -
Research and development			
General and administrative			
Sales and marketing			
Total stock-based compensation expense	$ -		$ -

$_____ and $_____ of stock based compensation was capitalized as part of capitalized software costs for the years ended December 31, 2022 and 2021, respectively

Employee Stock Options Valuation—The Company estimates the fair value of stock options on the date of grant using the Black-Scholes option-pricing model. The Black-Scholes option-pricing model requires estimates of highly subjective assumptions, which affect the fair value of each stock option. The assumptions used to estimate the fair value of stock options granted during the years ended December 31, 2022 and 2021, are as follows:

	2022		2021
Valuation assumptions:			
Fair value of common stock	$ -		$ -
Expected volatility	%		%
Expected term (years)			
Risk-free interest rate	%		%
Expected dividend yield	%		%

Since the Company's stock is not publicly traded, the expected volatility is based on the historical and implied volatility of similar companies whose stock or option prices are publicly available after considering the industry, stage of life cycle, size, market capitalization, and financial leverage of the other companies. The risk-free interest rate assumption is based on observed US Treasury yield curve interest rates in effect at the time of grant appropriate for the expected term of the stock options granted. As permitted under authoritative guidance, due to the limited amount of option exercises, the Company used the simplified method to compute the expected term for options granted to nonexecutive employees in the years ended December 31, 2022 and 2021. The same methodology was applied to executives for the years ended December 31, 2022 and 2021.

2021 Stock Option Reprice—On [Date], the Board of Directors approved a reduction in the exercise price of eligible current employees' outstanding options to purchase shares of the Company's Common Stock (the "2021 Option Repricing"). The new exercise price per share for each repriced option was $__________, and options to purchase [X] shares of the Company's common stock were included in the 2021 Option Repricing. All other terms set forth in original option agreements, including vesting schedules contained therein, remained unchanged. The Company recognized an incremental compensation cost of $__________ in the 2021 [consolidated] statements of operations as a result of the 2021 Option Repricing. In addition, an additional $_______of unrecognized compensation, which is expected to be recognized over a weighted-average period of ___years.

13. OTHER EQUITY TRANSACTIONS

Two executives sold ___________ shares of common [preferred] stock at $[X.00] per share to an existing shareholder. The Company recognized $___________ of compensation expense based on the amounts paid in excess of the estimated fair value of the common [preferred] stock.

	2022	2021
Cost of revenue	$ -	$ -
Research and development		
General and administrative		
Sales and marketing		
Total compensation expense	$ -	$ -

14. INCOME TAXES

Loss before income taxes for the years ended December 31, 2022 and 2021, are as follows:

	2022	2021
Domestic	$ -	$ -
Foreign		
Total	$ -	$ -

Provision for income taxes for the years ended December 31, 2022 and 2021, consisted of the following:

	2022	2021
Current tax provision—Foreign	$ -	$ -
Total current tax provision	-	-
Deferred tax provision:		
Federal		
Foreign		
State and local		
Total deferred tax provision	-	-
Provision for income taxes	$ -	$ -

Significant components of the Company's deferred taxes as of December 31, 2022 and 2021, are as follows:

Federal, state, and city net operating loss carryforwards	**2022**	**2021**
Sales and use taxes	$ -	$ -
Other temporary differences		
Total deferred tax asset before valuation allowance	-	-
Valuation allowance		
Total deferred tax assets—net of valuation allowance	-	-
Deferred tax liability		
Net deferred tax asset	$ -	$ -

The [increase/decrease] between the provision for income taxes and the income tax determined by applying the statutory federal income tax rate of % was due primarily to losses generated in the US, where no benefit was recorded due to the valuation allowance. The valuation allowance [increased/decreased] by $___ and $____ years ended December 31, 2022 and 2021, respectively.

As of December 31, 2022, the Company had federal net operating loss carryforward of approximately $__________, which expires in 20XX, state and local net operating loss carryforward of approximately $__________, which expires in 20XX, and foreign net operating loss carryforward of approximately $__________, which expires in 20XX.

The utilization of the Company's net operating losses may be subject to a limitation due to the "change in ownership provisions" under Section 382 of the Internal Revenue Code and similar state and foreign provisions. The Company [has/has not] completed its section 382 assessment and determined that such limitation may result in the expiration of the net operating loss carryforwards before their utilization.

As of December 31, 2022 and 2021, the total amount of unrecognized tax benefits was $__________ and $__________, respectively, all of which would affect income tax expense, if recognized, before consideration of any valuation allowance. The Company does not expect the unrecognized tax benefits to change significantly over the next 12 months.

The Company recognizes interest and penalties related to unrecognized tax benefits within the [general and administrative or income tax expense] line in the [consolidated] statements of operations. Accrued interest and penalties are included within the related tax liability line in the [consolidated] balance sheets. No accrued interest and penalties have been recorded as of December 31, 2022 and 2021.

The Company is subject to income taxes in the US federal jurisdiction, major state jurisdictions [State1, State2, State3] as well as the United Kingdom. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. The Company's tax years remain open for examination by all tax authorities since inception as well as carryover attributes beginning December 31, 200X, remain open to adjustment by the US and state authorities.

15. RELATED-PARTY TRANSACTIONS

In [20XX], the Company entered into an agreement with a customer who is an affiliate of a stockholder of the Company for the deployment of the Company's product, as further discussed in Note [X]. The Company has recorded revenue of $__________ and $__________ during the years ended

December 31, 2022 and 2021, related to this related party. As of December 31, 2022 and 2021, accounts receivable of $__________ and $__________, respectively, are due from this related party.

In 201X, in connection with the issuance of Series A convertible preferred stock, the Company entered into a convertible preferred stock warrant agreement with the number of shares exercisable based upon the amount of revenue earned from the investor as further discussed in Note [X]. There are no warrants exercisable as of December 31, 201X, and no revenue was earned from this investor during the year ended December 31, 201X.

On [Date], the Company entered into a loan agreement with a director of the Company for a principal amount of $__________ related to amounts owed for common stock purchased by the Director. The loan bears interest at a rate of [X]% per annum and is repayable on [Date]. The principal amount of the note is recorded as a reduction of common stock and additional paid-in capital until repaid; the note remains outstanding.

On [Date], the Company sold $__________ of convertible notes to a payment processor with whom the Company also conducts business.

16. RISKS AND CONCENTRATIONS

The Company is potentially subject to concentration of credit risk primarily through its accounts receivable. The Company performs ongoing credit evaluations of its customers and maintains allowances for potential credit losses which, when realized, have been within the range of management's expectations. The Company generally does not require collateral. Credit risk on accounts receivables is minimized as a result of the large and diverse nature of the Company's customer base.

The following table presents the percentages of the Company's net accounts receivable attributable to customers that accounted for more than ten percent of the total balance as of the [consolidated] balance sheet dates:

	December 31,		
	2022	**2021**	**20220**
Customer A	$ -	$ -	$ -
Customer B			
Customer C			

Significant customers are those that represent more than 10% of the Company's total revenue or accounts receivable. For each significant customer, revenue as a percentage of total revenue is as follows:

	Year Ended December 31,		
	2022	**2021**	**2020**
Customer A	$ -	$ -	$ -
Customer B			
Customer D			

[Note that the example above assumes that Customer C did not represent 10% of revenue and Customer D did not represent 10% of Accounts Receivable]

17. SUBSEQUENT EVENTS

The Company evaluated subsequent events from December 31, 2022, the date of these [consolidated] financial statements, through __________, 202X, which represents the date the [consolidated] financial statements were [issued or available for issuance], for events requiring recording or disclosure in the [consolidated] financial statements for the year ended December 31, 2022. The Company concluded that no events have occurred that would require recognition or disclosure in the [consolidated] financial statements, [except as described below or in Note [X]].

[Insert subsequent events requiring disclosure here in accordance with ASC 855-10-50]

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Deloitte.