ITEX Corporation

a Nevada Corporation

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SIC Code: 7389

Annual Report

For the Period Ending: July 31, 2021

(the "Reporting Period")

As of July 31, 2021, the number of shares outstanding of our Common Stock was:
1,696,691[1]

As of April 30, 2021, the number of shares outstanding of our Common Stock was:
1,594,907[1]

As of July 31, 2020, the number of shares outstanding of our Common Stock was:
1,705,268[1]

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934): **Yes** ☐ **No** ☑

Indicate by check mark whether the company's shell status has changed since the previous reporting period: **Yes** ☐ **No** ☑

Indicate by check mark whether a Change in Control of the company has occurred over this reporting period: **Yes** ☐ **No** ☑

[1] Includes unvested restricted stock.

Cautionary Statement Regarding Forward-Looking Statements

In addition to current and historical information, this Annual Report contains forward-looking statements. These statements relate to our future operations, prospects, potential products, services, developments, business strategies or our future financial performance. Forward-looking statements reflect our expectations and assumptions only as of the date of this report and are subject to risks and uncertainties. Actual events or results may differ materially. We have included a discussion of certain risks and uncertainties that could cause actual results and events to differ materially from our forward-looking statements in the section titled "Risk Factors" in Item 5 below. We undertake no obligation to update or revise publicly any forward-looking statement after the date of this report, whether as a result of new information, future events or otherwise.

1) Name of the Issuer and its predecessors (if any)

ITEX Corporation (referred to as "ITEX" or the "Company") was incorporated on October 1, 1985 in the state of Nevada. ITEX's current standing in the state of Nevada is active.

The Company was incorporated as Magneto-Electric Company on October 1, 1985, and its name changed to B.I.G Enterprises Inc. the same day. The Company changed its name to ITEX Barter Systems, Inc. on May 19, 1986, and to ITEX Corporation on April 12, 1991.

Has the issuer or any of its predecessors ever been in bankruptcy, receivership, or any similar proceeding in the past five years: **Yes** ☐ **No** ☑

2) Security Information

Trading Symbol:	**ITEX**
Exact title and class of securities outstanding:	**Common Stock**
CUSIP:	**465647501**
Par or stated value:	**$0.01 per share**
Total shares authorized:	**9,000,000** as of July 31, 2021
Total shares outstanding:	**1,696,691**[2] as of July 31, 2021
Number of shares in the Public Float:	**658,505** as of July 31, 2021
Total number of shareholders of record:	**26** as of July 31, 2021

Additional classes of securities:

Trading Symbol:	**None**
Exact title and class of securities:	**Preferred Stock**
CUSIP:	**None**
Par or stated value:	**$0.01 per share**
Total shares authorized:	**5,000,000** as of July 31, 2021
Total shares outstanding:	**None** as of July 31, 2021

[2] Includes unvested restricted stock.

Transfer Agent:

OTR, Inc.
1050 SW 6th Avenue, Ste 1230
Portland, OR 97204-1143
Phone: (503) 225-0375
Email: otr@otrtransfer.com

Is the Transfer Company registered under the Exchange Act? **Yes** ☑ **No** ☐

Describe any trading suspension orders issued by the SEC concerning the issuer or its predecessors:

None

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

On December 21, 2020, the Company completed a 600-for-1 reverse stock split of common stock, which was immediately followed by a forward split of common stock at a ratio of 600-for-1. Fractional shares were canceled and a cash payment of $4.50 per share, on a pre-split basis, was paid out to shareholders who held less than 600 shares prior to the reverse stock split. The Reverse/Forward split resulted in a net reduction in the number of issued and outstanding shares of ITEX's common stock by 109,061 shares, or approximately 6% of ITEX's outstanding common stock.

A cash dividend in the amount of $0.10 per share was paid on December 1, 2020 and on June 15, 2021.

3) Issuance History

A. Changes to the Number of Outstanding Shares

Check this box to indicate there were no changes to the number of outstanding shares within the past two completed fiscal years and any subsequent periods: ☐

The following table sets forth any events that resulted in direct changes to the total shares outstanding by the Company in the past two completed fiscal years and any subsequent interim period. Disclosure under this item includes, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares or any other securities or options to acquire such securities issued for services.

Number of Shares outstanding as of July 31, 2019	Opening Balance: Common: 1,681,568 Preferred: 0								
Date of Transaction	**Transaction type**	**Number of Shares Issued (or cancelled)**	**Class of Securities**	**Value of shares issued ($/per share) at Issuance**	**Were the shares issued at a discount to market price at the time of issuance?**	**Individual/ Entity Shares were issued to**	**Reason for share issuance OR Nature of Services Provided**	**Restricted or Unrestricted as of this filing?**	**Exemption or Registration Type?**
08-22-19	Share buybacks/ cancellations	(3,300)	Common	$4.30	No	N/A	N/A	N/A	N/A
04-06-20	New issuance	27,000	Common	$3.50	No	Steven White	CEO compensation	Restricted	Exempt Rule 701

12-21-2020	Reverse split Share buyback	(109,061)	Common	$4.50	No	N/A	N/A	N/A	N/A
02-10-21	Share buybacks/ cancellations	(1,300)	Common	$4.50	No	N/A	N/A	N/A	N/A
05-21-21	New issuance	150,000	Common	$4.27	No	Robert Benson	CEO compensation	Restricted	Exempt Rule 701
05-21-21	New issuance	6,714	Common	$4.27	No	John Wade	CFO compensation	Restricted	Exempt Rule 701
07-26-21	Share buybacks/ cancellations	(54,930)	Common	$4.75	No	N/A	N/A	N/A	N/A
Shares outstanding on July 31, 2021	Ending Balance: Common: 1,696,691 Preferred: 0								

In December 2013, stockholders approved the adoption of the ITEX Corporation 2014 Equity Incentive Plan (the “Plan”), pursuant to which 400,000 shares of common stock were authorized for issuance. The Plan provides for the awards of restricted stock, restricted stock units, and other awards including unrestricted stock awards, stock bonuses, or the payment of cash for bonuses or in settlement of restricted stock unit awards to the Company’s employees, directors, officers or consultants.

During the years ended July 31, 2021 and 2020, we issued 156,714 and 27,000 shares respectfully, under the Plan to members of the management team. The fair value of these shares as of the grant date was $669,168 and $94,500, respectively. The issuances were deemed to be exempt from registration under the Securities Act in reliance on Rule 701 promulgated thereunder.

B. Debt Securities, Including Promissory and Convertible Notes

Check this box if there are no outstanding promissory, convertible notes or debt arrangements: ☑

4) Financial Statements

A. The following financial statements were prepared in accordance with:

☑ U.S. GAAP
☐ IFRS

B. The financial statements for this reporting period were prepared by:

John Wade
Chief Financial Officer

The audited consolidated financial statements for the years ended July 31, 2021 and 2020, are attached, starting on page 15.

5) Issuer’s Business, Products and Services

A. Summarize the issuer’s business operations:

ITEX Corporation operates a marketplace (the “Marketplace”) in which products and services are exchanged by Marketplace members utilizing ITEX dollars (“ITEX dollars”). ITEX dollars are only usable in the Marketplace and allow thousands of member businesses (our "members") to acquire products and services without exchanging cash. We service our member businesses through our franchise network (individually, "franchisee" and together, the "Franchise Network") in the United States and Canada. We administer the Marketplace and provide record-keeping and payment transaction processing services for our members. We generate revenue by charging percentage-based transaction fees, association fees, and other fees assessed in United States dollars and Canadian dollars where applicable (collectively and as reported on our financial statements, "USD" or "Cash").

B. Describe any subsidiaries, parents, or affiliated companies, if applicable, and a description of their business contact information for the business, officers, directors, managers or control persons:

ITEX has one subsidiary, BXI Exchange, Inc, a Delaware corporation. Steven White serves as sole director and executive officer.

C. Describe the issuer's principal products or services, and their markets:

Marketplace Transactions. The Marketplace provides a forum for our members to purchase from and sell their products and services to other members using ITEX dollars instead of USD. An ITEX dollar is an accounting unit used to record the value of transactions as determined by the members in the Marketplace. ITEX dollars are not intended to constitute legal tender, securities, or commodities, are not redeemable for or convertible into USD, and have no readily determinable correlation to USD. ITEX dollars may only be used in the manner and for the purpose set forth in our Member Agreement and the rules of the Marketplace.

Businesses use our Marketplace to attract new customers, increase sales and to utilize unproductive assets, surplus inventory, or excess capacity. The Marketplace is especially useful to businesses where the variable costs of products or services are low, such as hospitality, media, and service-related businesses.

For tax purposes, the Internal Revenue Service ("IRS") considers ITEX dollar sales to be equivalent to USD sales and ITEX dollar expenses to be equivalent to USD expenses. As a third-party record keeper under the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA), ITEX is required to annually send Forms 1099-B to each of our members and to the IRS, which we do electronically. Members are responsible to collect, remit, declare, and report all applicable federal, state, provincial, local, and municipal taxes, including appropriate sales and excise taxes and GST, resulting from any transaction involving ITEX dollars to the appropriate taxing authorities as required by law.

Franchise Network. We service our member businesses through our franchise network (individually, "franchisee" and together, the "Franchise Network"). Franchisees are independent business owners with respect to the Company and provide Marketplace members with information about products and services that are available locally, nationally and in Canada. Franchisees are responsible for enrolling new members, training them in Marketplace policies and procedures, facilitating their transactions and assuring payment in USD of transaction fees, association fees and other fees to us. In turn, franchisees receive a commission in USD for a percentage of revenue collected from the members serviced by those franchisees.

We offer the sale of ITEX franchises to qualified individuals under our most current franchise agreement. Our franchise agreement grants franchisees the right to service the needs of our Marketplace members and sets forth their obligations and responsibilities. Our franchise agreements generally provide for a five-year, renewable term unless terminated for reasons defined in the agreement.

Sources of Revenue. Our main sources of revenue are transaction and association fees. Additionally, we may charge various auxiliary fees to members. The fees we charge members are in USD and partially in ITEX dollars. We bill members for all fees at the end of each four-week operating cycle. Members paying through our Autopay System will generally be charged a USD transaction fee equal to 6.0% of the ITEX dollar amount of the member's purchases and sales during the operating cycle. Additionally, regardless of a member's transaction activity, each operating cycle we charge most members an association fee of $20 USD ($260 USD annually) and 10 ITEX dollars (130 ITEX dollars annually).

We prepare our financial statements on an accrual basis in accordance with United States Generally Accepted Accounting Principles (GAAP). Refer to Note 1 — "Summary of Significant Accounting Policies" included in the "Notes to Consolidated Financial Statements for a description of our accounting policies.

Member Services. Our members are located in the United States and Canada. The majority of members are small businesses. Members choose to participate in the Marketplace for several reasons including attracting new customers, increasing sales, adding new channels of distribution, and utilizing unproductive assets, surplus inventory, or excess capacity.

We provide our Marketplace members:

- An efficient method to execute and track transactions in the Marketplace.
- A community where members can interact and transact business with other members.
- A Franchise Network and corporate staff which seek to maintain a fair and equitable environment for our members. Members may sell in the Marketplace only those products and services they have the legal right to sell.
- Customer service by the Franchise Network and our corporate staff.
- A social media presence and mobile technology.

The Marketplace utilizes our proprietary software system, which is designed to facilitate the activities of all parties involved in the Marketplace, from our corporate management and accounting personnel to franchisees and members. Our system provides: customer relationship management tools; analytical reports; a categorized listing of members; and a mobile app to register new prospects, complete a transaction, search for other members, and make payments.

RISK FACTORS

*An investment in our shares involves a high degree of risk. You should carefully consider the risks described below, together with all of the other information included in this Report, before making an investment decision. If any of the following risks actually occurs, our business, financial condition or results of operations could suffer. In that case, the price of our shares could decline, and you may lose all or part of your investment. See "**Cautionary Statement Regarding Forward Looking Statements**" on page 2 above for a discussion of forward-looking statements and the significance of such statements in the context of this Report.*

The ongoing COVID-19 pandemic and measures intended to prevent its spread continues to have a material adverse effect on our business, results of operations, cash flows and financial condition and may have a material effect in the future.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. The outbreak led governments and other authorities around the world, including federal, state and local authorities in the United States, to impose measures intended to control its spread, including restrictions on freedom of movement and business operations such as travel bans, border closings, business closures, quarantines and shelter-in-place orders. The outbreak and preventative or protective actions that governments have taken in respect of this coronavirus have resulted in a period of business disruption, reduced customer traffic, reduced operations, and has adversely affected workforces and economies. Furthermore, our Marketplace is primarily composed of small businesses, many of which were forced to suspend or cease operations and as a result, may not survive. The duration of the disruption, attrition of our Marketplace members, general labor instability, impairment of our Marketplace's ability to deliver products and services, and the related financial impact cannot be reasonably estimated at this time and may continue to materially affect our consolidated results for 2022 and future years. It is not possible for us to predict the duration or magnitude of the adverse results of the outbreak and its effects on our business, results of operations, financial condition, or ability to raise funds. We may be required to reduce planned activities, incur additional restructuring charges, reduce, suspend or eliminate our cash dividend, or reduce other operating expenses which may impair our ability to achieve our intended business objectives.

Our revenue growth and success are tied to the operations of our Franchise Network, and as a result the loss of our franchisees or the financial performance of our franchisees can negatively impact our business

We depend on the ability of our franchisees to enroll new members, train them in the use of the Marketplace, grow our transactional volume by facilitating business among members, manage member relationships, provide members with information about ITEX products and services, and assure the payment of our fees. Franchisees are independently owned and operated and have a contractual relationship with ITEX, typically for a renewable five-year term. Our success relies to a large degree on the financial success and cooperation of our franchisees. There can be no assurance that our franchisees will be successful in adding members or increasing the volume of transactions through the Marketplace, or if they do not renew their agreements or terminate operations, we will be able to attract new franchisees at rates sufficient to maintain a stable or growing revenue base. If our franchisees are unsuccessful in generating revenue growth, enrolling new members to equalize the attrition of members leaving the Marketplace, or if a significant number of franchisees become financially distressed and terminate operations, our revenues could be reduced, and our business operating results and financial condition may be materially adversely affected.

Future revenue growth remains uncertain, and our operating results and profitability may decline

Revenue has been declining since fiscal year 2010. Although we seek to increase revenues, we cannot assure you our revenues will increase in future quarters or future years; nor can we assure you that we can continue to be operated profitably, which depends on many factors, including, our success in expanding our member base, the control of our expense levels, and the success of our business activities. We may make investments in marketing, franchisee and member support, technology and further development of our operating infrastructure which entail long-term commitments. Our industry as a whole may be adversely affected by industry trends, increased competition, economic factors and new regulations. Despite our efforts to expand our revenues, we may not be successful. We experience a certain amount of attrition from members leaving the Marketplace. If new member enrollments do not continue or are insufficient to offset attrition, we will increasingly need to focus on keeping existing members active and increasing their activity level in order to maintain or grow our business. We cannot assure you that this strategy will be successful to offset declining revenues or profits.

Substantial and increasing competition from the ecommerce industry, exchanges and other distribution channels may adversely affect our overall business, revenues and results of operations

We encounter significant competition in our efforts to develop our Marketplace. Our competitors include internet distribution channels and local Exchanges. Internet distribution channel competitors include well-known companies such as eBay, Travelocity, Priceline, Amazon, and Overstock. Similar to our Marketplace, these companies provide distribution channels to move excess or surplus inventory. The internet and mobile networks provide new, rapidly evolving and intensely competitive channels for the sale of all types of products and services. The greater the number of avenues to move excess inventory or products and services, the more competitive it is to attract businesses to sell their inventory in our Marketplace. We also compete with these companies with respect to price, ease of use and brand name awareness. Increased competition could result in erosion of our market share, and adversely affect our revenues, business operating results and financial condition.

Our ability to use our net operating loss carryforwards to offset future taxable income would be limited if we do not generate sufficient taxable income or if an ownership change occurs, which would negatively impact our results of operations and stockholders' equity

As of July 31, 2021, we reported a consolidated federal net operating loss ("NOL") carryforward and deferred tax asset, net of valuation allowances, of $525, which represents approximately 6% of our total assets. The use of our NOL carryforwards is subject to uncertainty because, in addition to the factors discussed below, it is dependent upon the amount of taxable income we generate. There can be no assurance that we will have sufficient taxable income, if any, in future years to use the net operating loss carryforwards before they expire. If we have uncertainties surrounding our ability to continue to generate future taxable income to realize these tax assets, a valuation allowance will be established to offset our deferred tax assets.

Additionally, the future utilization of our NOL carryforwards to offset future taxable income may be subject to an annual limitation as a result of ownership changes that could occur in the future. Generally, an ownership change occurs if the percentage of the value of the stock that is owned in the aggregate by our direct or indirect "five percent shareholders" increases by more than 50% over their lowest ownership percentage at any time during any three-year testing period. Future changes in our stock ownership, which may be outside of our control, may trigger an "ownership change." If an "ownership change" has occurred or does occur in the future, utilization of the NOL carryforwards or other tax attributes may be limited, which could potentially result in increased future tax liability to us and cause us to pay U.S. federal income taxes earlier than we otherwise would, adversely affecting our future cash flow, net earnings and stockholders' equity.

If our goodwill becomes impaired, we may be required to record a charge to earnings, and there could be a negative impact on stockholders' equity

We have goodwill of $1,441 as of July 31, 2021, which represents approximately 18% of our total assets. Goodwill represents the excess of cost over the fair value of identified net assets acquired. Goodwill acquired in a purchase business combination is determined to have an indefinite useful life and is not amortized, but instead tested for impairment on an annual basis. We review our goodwill using a Market Capitalization review and a discounted cash flow methodology with a risk-adjusted weighted average cost of capital (WACC). Factors that may change our circumstances, indicating that the carrying value of our goodwill may not be recoverable, include a decline in our stock price and market capitalization, reduced future cash flow estimates, adverse changes in legal factors or the business climate, and lowered expectations of future financial results. We may be required to record a significant charge in our consolidated financial statements during the period in which any impairment of our goodwill is determined, which would reduce earnings in such period, and reduce stockholders' equity. We cannot accurately predict the amount, if any, or the timing of any impairment of goodwill. Should the value of goodwill become impaired, there could be an adverse effect on our financial condition and consolidated results of operations.

Our franchisees could take actions that could harm our business, our reputation and adversely affect the ITEX Marketplace

Our agreements with our franchisees require that they understand and comply with all laws and regulations applicable to their businesses and operate in compliance with our Marketplace Rules. Franchisees are independently owned and operated and are not our employees, partners, or affiliates. We set forth operational standards and guidelines; however, we have limited control over how our franchisee businesses are run. Our franchisees have individual business strategies and objectives and may not operate their offices in a manner consistent with our philosophy and standards. We cannot assure you that our franchisees will avoid actions that adversely affect the reputation of ITEX or the Marketplace. Improper activity stemming from one franchisee can generate negative publicity which could adversely affect our entire Franchise Network and the Marketplace, could discourage new franchisees from entering our network or existing franchisees from renewing their agreements, and could have a material adverse effect on our business, financial condition and results of operations.

We may be held responsible by members, third parties, regulators or courts for the actions of, or failures to act by, our franchisees or their employees, which exposes us to possible adverse judgments, other liabilities and negative publicity

From time to time we are subject to claims for the conduct of our franchisees in situations where a franchisee is alleged to have caused injury to their employees, independent contractors, or a member as a result of a transaction in the Marketplace. Although our franchisees remain independent, attempts to challenge that independence, if determined adversely, could increase costs and subject us to incremental liability for their actions. Furthermore, we may be subject to litigation and regulatory action concerning our relationship with franchisees and the legal distinction between our franchisees and us for employment law purposes. Third parties, regulators or courts may seek to hold us responsible for the actions or failures to act by our franchisees or their employees. The failure to comply with laws and regulations by our franchisees, or litigation involving potential liability for franchisee activities could be costly and time consuming for us, divert management attention, result in increased costs of doing business, lead to adverse judgments, expose us to possible fines and negative publicity, or otherwise harm our business. A judgment significantly in excess of any applicable insurance coverage or third-party indemnity could materially adversely affect our financial condition and results of operations.

Our business is subject to government regulation and future regulation, or regulatory changes may increase the cost of compliance and doing business

We are subject to various federal, state and local laws, regulations and administrative practices affecting our business. These include the requirement to obtain business licenses, withhold taxes, remit matching contributions for our employees' social security accounts, and other such legal requirements, regulations and administrative practices required of businesses in general. We are a third-party record-keeper under the Tax Equity and Fiscal Responsibility Act ("TEFRA") and accordingly, we account for and report annually to the IRS the total ITEX dollar sales transactions, net of any returns, of each member in our Marketplace. Under the Federal Trade Commission Act and state franchise and business opportunity laws, our franchisees are entitled to certain protections including mandatory disclosures and the provision that many of the substantive aspects of the business relationship (i.e., termination, transfer, cancellation, and non-renewal) will be governed by state law. An adverse finding in one or more of these business relationship aspects could govern the enforceability of our franchise agreements or permit the recovery of damages and penalties which could have a material adverse effect on our financial condition and results of operation.

In addition, we are currently or potentially subject to laws and regulations affecting our operations in a number of other areas, including data privacy requirements, intellectual property ownership and infringement, prohibited items and stolen goods, digital content, promotions, virtual currency, taxes, as well as laws and regulations intended to combat money laundering and the financing of terrorist activities. With respect to our online and mobile operations, it is not always clear how certain laws and regulations apply to our business. Many of these laws were adopted prior to the advent of the internet, mobile, and related technologies and, as a result, are subject to interpretation by the courts on an ongoing basis. We cannot predict the impact, if any, that future internet-related regulation or regulatory changes might have on our business. Compliance with these laws, regulations, and similar requirements may be onerous and expensive, and variances and inconsistencies from jurisdiction to jurisdiction may further increase the cost of compliance and doing business.

The emergence of increased regulation related to virtual currencies could increase our costs by requiring us to update our products and services; or subject us to operational requirements that result in substantial compliance costs which would adversely affect our business

Innovation in the payments industry has led to a variety of virtual currencies, community currencies reward points, tokens and cryptocurrencies. The increased attention on cryptocurrencies has resulted in various law enforcement and regulatory interventions. Changes in federal or state regulations or the adoption of new regulations could affect us as well as many companies transacting in credits that might be considered "virtual currency." Complying with these regulations could be burdensome and expensive and could make our business cost-prohibitive in the affected state or states. Conversely, our failure to comply with existing or future regulations could result in a requirement to pay penalties or damages, or otherwise have a material adverse effect on our business.

We may face additional tax liabilities and collection obligations

Our Marketplace members are responsible to collect, remit, declare, and report all applicable federal, state, provincial, local, and municipal taxes, including appropriate sales and excise taxes and GST, resulting from any transaction involving ITEX dollars. However, an increasing number of jurisdictions are considering or have adopted laws or administrative practices that impose new tax measures targeting online commerce and the remote selling of goods and services. These may include new obligations to collect sales, consumption, value added, or other taxes on online marketplaces and remote sellers, or other requirements that may result in liability for third party obligations. Our results of operations and cash flows could be adversely affected by additional tax collection obligations of this nature imposed on us prospectively or retroactively or additional taxes or penalties resulting from the failure to comply with any collection obligations or failure to provide information about our customers, suppliers, and other third parties for tax reporting purposes to various government agencies. In some cases, we also may not have sufficient notice to enable us to build systems and adopt processes to properly comply with new reporting or collection obligations by the effective date.

The market for our securities has limited liquidity

Our common stock trades on the OTC Pink tier of the over-the-counter market known as the OTC Marketplace. Many of the securities quoted in the OTC Marketplace do not have a liquid market. They are infrequently traded and can move up or down in price substantially from one trade to the next. As a result, an investment in our shares may be illiquid even if there is a market.

Our ability to pay dividends on our common stock is subject to the discretion of our Board of Directors and may be reduced, suspended or eliminated

Our dividend policy is subject to the discretion of our Board of Directors and depends upon a number of factors, including our earnings, financial condition, cash and capital needs and general economic or business conditions. Although we are currently declaring cash dividends on our common stock as a way to return value to our stockholders, we are not required to do so, and we cannot assure you that we will continue to pay dividends in the future. If liquidity from our cash flow is inadequate or unavailable, we may be required to scale back or eliminate the dividends we pay to our stockholders. The upcoming expiration of our NOL, and changes in tax laws increasing the tax rate for dividends are other factors the Board will consider for future dividends. Any reduction of, or the elimination of, our common stock dividend in the future could adversely affect the market price of our common stock.

Description of Facilities

Our corporate and administrative headquarters offices are located in approximately 3,379 square feet of office space in Bellevue, Washington. Our lease extends through March 2022. Our premises are utilized by our senior management and administrative personnel. We believe that our facilities are adequate and suitable for their current use.

6) Officers, Directors, and Control Persons

The following table sets forth certain information about our executive officers and directors as of July 31, 2021, as well as certain information that has been provided to the Company regarding the beneficial ownership as of July 31, 2021 of the Company's common stock by (a) each person who is known by the Company to be a beneficial owner of more than five percent of the outstanding common stock of the Company, (b) each director of the Company, and (c) each of the executive officers.

Name of Officer/Director and Control Person	Affiliation with Company (e.g. Officer/Director/Owner of more than 5%)	Residential Address [1] (City/State Only)	Number [2] of shares owned	Share type/class	Ownership [3] Percentage of Class Outstanding	Note
Steven White	Chairman and President	Greater Seattle, WA	505,632	Common	29.80%	(4)
Robert Benson	CEO	Greater Seattle, WA	201,094	Common	11.85%	(5)
John Wade	Director and CFO	Greater Seattle, WA	16,714	Common	*	(6)
Eric Best	Director	Greater Seattle, WA	10,000	Common	*	(7)
The Lion Fund, LP	Beneficial owner	San Antonio, TX	340,840	Common	20.09%	(8)
Pagidipati Family, LP	Beneficial owner	Tampa, FL	124,229	Common	7.32%	(9)

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* Less than one percent.

(1) The business address of the current directors and executive officers is c/o ITEX Corporation, 15900 SE Eastgate Way, Suite 100, Bellevue, Washington 98008.

(2) Beneficial ownership is determined in accordance with the rules of the SEC. In computing the number of shares beneficially owned and the percentage ownership of an individual or group, any shares that the individual or group may acquire within 60 days, including through the exercise of stock options or vesting of restricted stock units, are deemed outstanding. These shares, however, are not deemed outstanding for purposes of computing the ownership of any other person. To our knowledge, except as indicated in the footnotes to this table and subject to applicable community property laws, the stockholders named in the table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them.

(3) Percentage of beneficial ownership is based upon 1,696,691 voting shares outstanding as of July 31, 2021 (including shares of unvested restricted stock).

(4) Mr. White has 38,000 unvested restricted stock awards outstanding. Mr. White, 63, has served as Chairman and President since 2003 and served as Chief Executive Officer of the Company from 2003 through May 2021.

[5] Mr. Benson has 156,428 unvested restricted stock awards outstanding. Mr. Benson, 57, has served as Chief Executive Officer since May 2021, and previously served as Vice President of the Marketplace from 2004 through May 2021.

[6] Mr. Wade, 59, has served as Chief Financial Officer since 2013, and as Director, Secretary and Treasurer since 2003. Since January 2018, Mr. Wade has provided outsourced CFO services on a contract basis. Mr. Wade is currently a principal of Wade Consulting.

[7] Mr. Best, 49, has served as a Director since 2003. Mr. Best has served as Chief Executive Officer at Sound Commerce since February 2017. Previously, he served as Chief Strategy Officer of CommerceHub from January 2015 to August 2016. Mr. Best founded and served as Chief Executive Officer of Mercent Corporation from 2005 to January 2015.

[8] The latest Schedule 13D filed by the beneficial owners on April 24, 2015, indicated that 340,840 shares are held by The Lion Fund, L.P., Biglari Capital Corp. and Sardar Biglari. The principal business address of each of the Lion Fund, Biglari Capital Corp. and Sardar Biglari is 17802 IH 10 West, Suite 400, San Antonio, Texas 78257.

[9] Based on beneficial ownership information as of May 21, 2019. Includes shares beneficially owned by Rahul Pagidipati and Dr. Devaiah Pagidipati, who have voting and investment power with respect to the Pagidipati Family Limited Partnership. The principal business address of the Pagidipati Family Limited Partnership is 601 S Harbour Island Blvd 200, Tampa, FL 33602.

7) Legal/Disciplinary History.

A. During the last ten years, none of the foregoing officers or directors has been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);
2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person’s involvement in any type of business, securities, commodities, or banking activities;
3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding, or judgment has not been reversed, suspended, or vacated; or
4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended or otherwise limited such person’s involvement in any type of business or securities activities.

B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

None

8) Third Party Providers

Securities Counsel

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Accountant or Auditor

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8181 East Tufts Avenue, Suite 600
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Investor Relations Consultant

None

Other Service Providers

Legal Counsel

James Shore
Stoel Rives LLP
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Telephone (206) 624-0900
Email: jim.shore@stoel.com

10) Issuer Certification

Principal Executive Officer

I, Robert Benson, Chief Executive Officer, certify that:

1. I have reviewed this annual report of ITEX Corporation.
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: October 15, 2021

/s/ Robert Benson
Robert Benson
Chief Executive Officer

Principal Financial Officer

I, John Wade, Chief Financial Officer, certify that:

1. I have reviewed this annual report of ITEX Corporation.
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: October 15, 2021

/s/ John Wade
John Wade
Chief Financial Officer

ITEM 4 FINANCIAL STATEMENTS

The following financial statements of ITEX Corporation are included in Item 4:

- Consolidated Balance Sheets as of July 31, 2021 and 2020
- Consolidated Statements of Income for the years ended July 31, 2021 and 2020
- Consolidated Statements of Stockholders' Equity for the years ended July 31, 2021 and 2020
- Consolidated Statements of Cash Flows for the for the years ended July 31, 2021 and 2020
- Notes to Consolidated Financial Statements

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Independent Auditor's Report

To the Board of Directors and Stockholders
ITEX Corporation

We have audited the accompanying consolidated financial statements of ITEX Corporation (the "Company"), which comprise the consolidated balance sheets as of July 31, 2021 and 2020 and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ITEX Corporation as of July 31, 2021 and 2020 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.

Emphasis of Matter

As described in Note 1 to the consolidated financial statements, the Company has changed its method of accounting for leases due to the adoption of ASU No. 2016-02, *Leases (Topic 842)*, as amended, effective August 1, 2019. Our opinion is not modified with respect to this matter.

Plante & Moran, PLLC

October 15, 2021

ITEX CORPORATION
CONSOLIDATED BALANCE SHEETS
(In thousands)

	July 31, 2021	July 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,563	$ 5,339
Accounts receivable, net of allowance of $368 and $564	341	361
Prepaid expenses	88	46
Loans and advances	13	14
Notes receivable	27	125
Other current assets	101	116
Total current assets	6,133	6,001
Property and equipment, net of accumulated depreciation of $239 and $229	12	19
Right of use asset	45	116
Goodwill	1,441	1,441
Deferred tax asset, net of allowance of $315 and $326	525	736
Intangible assets, net of accumulated amortization of $3,461 and $3,455	11	17
Notes receivable, net of current portion	21	93
Other long-term assets	24	31
Total assets	$ 8,212	$ 8,454
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts and other expenses payable	39	36
Commissions payable to brokers	126	139
Accrued commissions to brokers	444	482
Accrued expenses	283	296
Deferred revenue	10	12
Advance payments	84	92
Total current liabilities	986	1,057
Long-term liabilities:		
Other long-term liabilities	-	53
Total liabilities	986	1,110
Commitments and contingencies		
Stockholders’ equity:		
Common stock, $0.01 par value; 9,000 shares authorized; 1,496 shares and 1,616 shares issued and outstanding, respectively	16	17
Additional paid-in capital	20,449	21,022
Accumulated deficit	(13,239)	(13,695)
Total stockholders' equity	7,226	7,344
Total liabilities and stockholders’ equity	$ 8,212	$ 8,454

The accompanying notes are an integral part of these Consolidated Financial Statements

ITEX CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(In thousands)

	Year ended July 31, 2021	Year ended July 31, 2020
Revenue:		
Marketplace and other revenue	$ 6,877	$ 7,879
Costs and expenses:		
Cost of Marketplace revenue	4,108	4,713
Corporate salaries, wages and employee benefits	1,138	1,240
Selling, general and administrative	601	934
Depreciation and amortization	16	15
	5,863	6,902
Income from operations	1,014	977
Other income	20	39
Income before income taxes	1,034	1,016
Income tax expense	232	227
Net income	$ 802	$ 789
Net income per common share:		
Basic	$ 0.51	$ 0.50
Fully Diluted	$ 0.51	$ 0.49
Weighted average shares outstanding:		
Basic	1,570	1,591
Fully Diluted	1,572	1,594

The accompanying notes are an integral part of these Consolidated Financial Statements

ITEX CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total
Balance at July 31, 2019	**1,584**	**$ 16**	**$ 20,908**	**$ (14,146)**	**$ 6,778**
Common stock repurchased and retired	(3)	-	(14)	-	(14)
Stock based compensation expense	35	1	128	-	129
Dividend payment	-	-	-	(338)	(338)
Net income	-	-	-	789	789
Balance at July 31, 2020	**1,616**	**$ 17**	**$ 21,022**	**$ (13,695)**	**$ 7,344**
Reverse Split Share Buyback	(109)	(1)	(491)	-	(492)
Common stock repurchased and retired	(56)	(1)	(267)	-	(268)
Stock based compensation expense	45	1	185	-	186
Dividend payment	-	-	-	(346)	(346)
Net income	-	-	-	802	802
Balance at July 31, 2021	**1,496**	**16**	**20,449**	**(13,239)**	**7,226**

The accompanying notes are an integral part of these Consolidated Financial Statements

ITEX CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year ended July 31, 2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 802	$ 789
Items to reconcile to net cash provided by operating activities:		
Depreciation and amortization	16	15
Stock-based compensation	186	129
Bad debt expense	87	208
Decrease in deferred income taxes	211	304
ASC 842 adoption lease liability and ROU asset	(15)	(10)
Changes in operating assets and liabilities:		
Accounts receivable	(66)	(163)
Prepaid expenses	(42)	26
Loans and advances	1	(9)
Other assets	22	3
Accounts and other expenses payable	3	4
Commissions payable to brokers	(13)	(14)
Accrued commissions to brokers	(38)	(93)
Accrued expenses	19	62
Deferred revenue	(2)	(1)
Advance payments	(8)	(13)
Net cash provided by operating activities	1,163	1,237
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments received from notes receivable	200	276
Purchase of equipment	(3)	(5)
Notes receivable - advances	(30)	-
Net cash provided by investing activities	167	271
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repurchase of Common stock	(760)	(14)
Cash dividend paid to Common Stockholders	(346)	(338)
Net cash used in financing activities	(1,106)	(352)
Net increase in cash and cash equivalents	224	1,156
Cash and cash equivalents at beginning of period	5,339	4,183
Cash and cash equivalents at end of period	$ 5,563	$ 5,339
Supplemental cash flow information:		
Refund received - taxes	(100)	(121)
Proceeds from PPP Loan	-	(176)
ASC 842 adoption ROU asset and lease liability	-	(216)

The accompanying notes are an integral part of these Consolidated Financial Statements

NOTE 1 - DESCRIPTION OF OUR COMPANY AND SUMMARY OF OUR SIGNIFICANT ACCOUNTING POLICIES

Description of our Company

ITEX Corporation ("ITEX", "Company", "we" or "us") was incorporated in October 1985 in the State of Nevada. Through our independent franchise network (individually, "franchisee," and together the "Franchise Network") in the United States and Canada, we operate a "Marketplace" in which products and services are exchanged by Marketplace members utilizing ITEX dollars "ITEX dollars". ITEX dollars are only usable in the Marketplace and allow thousands of member businesses (our "members") to acquire products and services without exchanging cash. We administer the Marketplace and provide record-keeping and payment transaction processing services for our members. A summary of significant accounting policies applied in the preparation of the accompanying consolidated financial statements follows:

Principles of Consolidation

The consolidated financial statements include the accounts of ITEX Corporation and its wholly owned subsidiary BXI Exchange, Inc. All inter-company accounts and transactions have been eliminated in consolidation.

Accounting Records and Use of Estimates

The accounting records are maintained in accordance with accounting principles generally accepted in the United States of America. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions affecting the amounts reported in the consolidated financial statements and accompanying notes. Changes in these estimates and assumptions may have a material impact on the Company's financial statements and notes. Examples of estimates and assumptions include estimating:

- certain provisions such as allowances for accounts receivable and notes receivable
- any impairment of long-lived assets including goodwill
- useful lives of property and equipment
- the value and expected useful life of intangible assets
- the value of assets and liabilities acquired through business combinations
- tax provisions and valuation allowances
- accrued commissions and other accrual expenses
- litigation matters and loss contingencies
- stock based payments

Actual results may vary from estimates and assumptions that were used in preparing the financial statements.

Operating and Accounting Cycles

For each calendar year, we divide our operations into 13 four-week billing and commission cycles always ending on a Thursday ("operating cycle"). For financial statement purposes, our fiscal year is from August 1 to July 31 ("year", "2021" for August 1, 2020 to July 31, 2021, and "2020" or August 1, 2019 to July 31, 2020). We report our results as of the last day of each calendar month ("accounting cycle").

Concentrations of Credit Risk

On July 31, 2021, we maintained our cash balances in banking institutions in the United States and Canada that exceed amounts insured by the Federal Deposit Insurance Corporation and the Canadian Deposit Insurance Corporation.

Risks and Uncertainties

We are subject to certain risks and uncertainties, including those associated with fluctuations in operating results; regulatory issues; competition; technology trends; and managing human capital.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. The outbreak led governments and other authorities around the world, including federal, state and local authorities in the United States, to impose measures intended to control its spread, including restrictions on freedom of movement and business operations such as travel bans, border closings, business closures, quarantines and shelter-in-place orders. The outbreak and preventative or protective actions that governments have taken in respect of this coronavirus have resulted in a period of business disruption, reduced customer traffic, reduced operations, and has adversely affected workforces, economies, and financial markets. Furthermore, our Marketplace is primarily composed of small businesses, many of which were forced to suspend or cease operations and as a result, may not survive. The duration of the disruption, attrition of our Marketplace members, general labor instability, impairment of our Marketplace's ability to deliver products and services, and the related financial impact cannot be reasonably estimated at this time and may materially affect our consolidated results for 2022 and future years. It is not possible for us to predict the duration or magnitude of the adverse results of the outbreak and its effects on our business, results of operations, financial condition or ability to raise funds. If events or circumstances occur such that we do not meet our operating plan as expected, we may be required to reduce planned activities, incur additional restructuring charges, reduce, suspend or eliminate our cash dividend, or reduce other operating expenses which may impair our ability to achieve our intended business objectives.

Cash Equivalents

We consider all investments, including money market accounts, with an original maturity of three months or less when purchased to be cash equivalents.

Accounts and Notes Receivable

We assess the collectability of accounts receivable monthly based on past collection history and current events and circumstances. Accordingly, we adjust the allowance on accounts receivable to reflect net receivables that we ultimately expect to collect.

From time to time we finance the operational and expansion activities of our franchisees. We loan franchisees funds for general operational purposes, to acquire the management rights to select member accounts, and for other reasons. These loans are repaid from regular deductions from franchisee commissions. The amount of loans to franchisees as of July 31, 2021 was $48. Interest rates are 6% on the outstanding balances. The loans mature at various dates through fiscal year 2023.

We review all notes receivable for possible impairment on an annual basis or whenever events or changes in circumstances indicate that the carrying value has been impaired and may not be recoverable. Factors considered important that could trigger an impairment review include significant underperformance relative to expected historical or projected future operating results and a change in management of the franchisee responsible for the note.

Property and Equipment

We report property and equipment at cost less accumulated depreciation recorded on a straight-line basis over useful lives ranging from three to seven years. Included in property and equipment are additions and improvements that add to productive capacity or extend useful life of the assets. Property and equipment may also include internally developed software (refer to "Software for Internal Use" below). When we sell or retire property or equipment, we remove the cost and related accumulated depreciation from the balance sheet and record the resulting gain or loss in the income statement. We record an expense for the costs of repair and maintenance as incurred. Depreciation expense for property and equipment was $10 and $8 for the years ended July 31, 2021 and 2020, respectively.

Right of Use Asset and Lease Liability

In February 2016, the FASB established Topic 842, Leases, by issuing Accounting Standards Update (ASU) No. 2016-02 (ASC 842), which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. ASC 842 was effective for us on August 1, 2019 which resulted in recording an ROU asset and lease liability of $216. The balance of the ROU asset as of July 31, 2021 is $45. The current portion of our lease liability is $53 and there is $0 of long-term portion listed as Other long-term liabilities in the accompanying financial statements.

Software for Internal Use

We have developed extensive software to manage and track the ITEX dollar activity in the Marketplace, to calculate USD and ITEX dollar fees, member payments, and franchisees commissions accordingly. We have expensed costs incurred in the development of software for internal use in the period incurred as such costs were not significant during the related application development phase.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of identifiable assets acquired, including domains and other definite-lived intangible assets, and liabilities assumed in business combinations accounted for under the purchase method.

Goodwill acquired in a purchase business combination is determined to have an indefinite useful life and is not amortized, but instead tested for impairment at least annually. In testing goodwill for impairment, we first assess qualitative factors before calculating the fair value of our reporting unit in step 1 of the goodwill impairment test. If we determine that the fair value of the reporting unit is more likely than not less than its carrying value, then we will perform the two-phase approach. The first phase is a screen for potential impairment, while the second phase (if necessary) measures the amount of impairment, if any. Goodwill is written down and charged to operating results in any period in which the recorded value of goodwill exceeds its estimated fair value.

Income Per Share

We present in our financial statements on the face of the income statement both basic and diluted earnings per share. Basic earnings per share excludes potential dilution and is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. As of July 31, 2021, we had no contracts to issue common stock. The Company had 11 and 32 unvested restricted stock units that were dilutive as of July 31, 2021 and July 31, 2020, respectively.

Intangible Assets with Definite Lives

Intangible assets acquired in business combinations are estimated to have definite lives and are comprised of membership lists, noncompetition agreements and trade names. The Company amortizes costs of acquired intangible assets using the straight-line method over the contractual life of one to three years for noncompetition agreements, the estimated life of six to ten years for membership lists and the estimated life of ten years for trade names.

The carrying value of intangible assets with definite lives is reviewed on a regular basis for the existence of facts that may indicate that the assets are impaired. An asset is considered impaired when the estimated undiscounted future cash flows expected to result from its use and disposition are less than the amount of its carrying value. If the carrying value of an asset is deemed not recoverable, it is adjusted downward to the estimated fair value.

Long-Lived Assets

We review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recovered. We look primarily at the market values of the assets when available, or, alternatively, the estimated undiscounted future cash flows in our assessment of whether or not they have been impaired. If impairment is deemed to have occurred, we then measure the impairment by looking to the excess of the carrying value over the discounted future cash flows or market value, as appropriate.

Commissions Payable to Franchisees and Accrued Commissions to Franchisees

We compute commissions to franchisees as a percentage of cash collections of revenues from association fees and transactions fees. We pay most commissions in two tranches with approximately 50% paid one week after the end of the operating cycle and the remainder paid two weeks later. Commissions payable to franchisees on our balance sheet as of July 31, 2021 represents commissions payable from the operating cycle ended July 15, 2021. In 2020, the closest operating cycle ended July 16, 2020. Accrued commissions to franchisees on our balance sheets are the estimated commissions on the net accounts receivable balance and unpaid commissions on cash already collected in the current uncompleted accounting cycle (stub period) as of the financial statement date.

Fair Value of Financial Instruments

All of our financial instruments are recognized in our balance sheet. The carrying amount of our financial instruments including cash, accounts receivable, loans and advances, accounts payable, commissions payable and accrued commissions and other accruals approximate their fair values at July 31, 2021 due to the short-term nature of these instruments. All of these instruments have terms of less than one year. For notes receivable, the Company has determined that the rates are commensurate with current rates for similar transactions, and therefore, net book value approximates fair value.

Revenue Recognition

We generate our revenue by charging members percentage-based transaction fees, association fees, and other fees assessed in United States dollars and Canadian dollars where applicable (collectively and as reported on our financial statements "USD" or "Cash").

In the normal course of our core business, we act as administrator and provide record-keeping and transaction processing services for Marketplace members. We pay commissions to our franchisees after the close of each operating cycle based on member transaction and association fees collected in USD.

Our largest sources of revenue are transaction fees and association fees. We charge members of the Marketplace an association fee every operating cycle in accordance with our members' individual agreements. We also typically charge both the buyer and the seller a transaction fee based on the ITEX dollar value of that Marketplace transaction. Additionally, we may charge various auxiliary fees to members, such as annual membership dues, statement fees, late fees, finance charges, insufficient fund fees, and chargeback fees. The total fees we charge to members are in USD and partially in ITEX dollars. We bill members for all fees at the end of each operating cycle. We track all financial activity in our internally developed database. Members have the option of paying USD fees automatically by credit card, by electronic funds transfer or by check. If paying through our Autopay System, generally, the USD transaction fee is 6% of the ITEX dollar amount of the member's purchases and sales during the operating cycle. If paying by check, generally, the USD transaction fee is 8% of the ITEX dollar amount of that member's purchases and sales during the operating cycle. Additionally, regardless of a member's transaction activity, each operating cycle we charge most members an association fee of $20 USD ($260 USD annually) and 10 ITEX dollars (130 ITEX dollars annually).

We record an allowance for uncollectible accounts based upon its assessment of various factors. We consider historical experience, the age of the accounts receivable balances, the credit quality of our members, current economic conditions and other factors that may affect members' ability to pay to determine the level of allowance required.

Revenue Recognition Policies

Our contracts with our members consist of an ongoing member services agreement in which we provide services to our members during each operating cycle, with the agreement being cancelable by a member or ITEX at any time upon proper advance notice. We have determined we have one performance obligation with our members which consists of member services during each operating cycle which includes access to our marketplace platform. We recognize revenue over time ratably based on the gross amount of revenue we ultimately expect to collect from our members which includes any adjustments for variable consideration such as discounts, allowances and amounts which we ultimately do not expect to collect in addition to transaction fees we are entitled to based upon each respective member's transaction activity during each operating cycle.

Share-based Payments

We account for share-based compensation to our employees, and directors and measure the amount of compensation expense for all stock-based awards at fair value on the date of grant and recognition of compensation expense over the service period for awards expected to vest. Restricted stock awards issued to employees and directors are measured based on the fair market values of the underlying stock on the dates of grant. Share based expense was $186 and $129 for the years ended July 31, 2021 and 2020, respectively.

Operating Leases

Effective August 1, 2019, we began accounting for our only operating lease of our corporate headquarters under Accounting Standards Update No. 2016-02, Leases (Topic 842) (“ASC 842”). The lease is treated as an operating lease and a right of use asset and lease liability are recorded on our balance sheet. Lease expense is recorded ratably over the remaining lease term. As of August 1, 2019 we had 31 months remaining on the lease. We used a rate of 5.25% for our discount rate.

Accounting for Income Taxes

We account for income taxes using an asset and liability approach as required. Such approach results in the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the book carrying amounts and the tax basis of assets and liabilities and net operating loss carryforwards. We assess a valuation allowance on our deferred tax assets if it is more likely than not that a portion of our available deferred tax assets will not be realized. We record our deferred tax assets net of valuation allowances.

We also account for uncertainty in income taxes in that we recognize the tax benefits of tax positions only if it is more likely than not that the tax positions will be sustained, upon examination by the applicable taxing authorities, based on the technical merits of the positions. As required, we record potential interest and penalties associated with our tax positions. We have opted to record interest and penalties, if any, as a component of income tax expense.

Contingencies

In the normal course of our business, we are periodically involved in litigation or claims. We record litigation or claim-related expenses upon evaluation of among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss. We accrue for settlements when the outcome is probable, and the amount or range of the settlement can be reasonably estimated. In addition to our judgments and use of estimates, there are inherent uncertainties surrounding litigation and claims that could result in actual settlement amounts that differ materially from estimates. We expense our legal costs associated with these matters when incurred.

Government Grants

The Company has elected to account for loan funds received under the Paycheck Protection Program (PPP) as an in-substance government grant. Accounting principles generally accepted in the United States of America (US GAAP) do not include guidance on the accounting for government grants by for profit entities. As a result, the Company has elected to analogize to the guidance in International Accounting Standards (IAS) Statement 20 Accounting for Government Grants and Disclosure of Government Assistance (IAS 20). While IAS 20 does not represent authoritative guidance for entities preparing US GAAP financial statements, use of this guidance by analogy is permitted. The forgiven loan amount was recorded as a net expense of the applicable salary, rent or other expense that generated the PPP loan.

NOTE 2 – RECENT ACCOUNTING PRONOUNCEMENTS

In December 2019, the FASB issued ASU 2019-12, *Income Taxes* (Topic 740): Simplifying the Accounting for Income Taxes. ASU 2019-12 simplifies the accounting for income taxes by removing certain exceptions to the general principles in Topic 740 and by improving consistent application of other areas of Topic 740. The new standard is effective beginning August 1, 2021, with early adoption permitted. The Adoption is not expected to have a significant effect on the Company’s financial statements.

In June 2016, the FASB issued Accounting Standards Update No. 2016-13, *Financial Instruments — Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments (ASU 2016-13)*, an ASU amending the impairment model for most financial assets and certain other instruments. The ASU is effective for reporting periods beginning after December 15, 2022, with early adoption permitted after December 15, 2018. The ASU must be adopted using a modified-retrospective approach. The primary impact this pronouncement will have is on our accounts and notes receivable. At the time of adoption, we will have a small balance of notes receivable that we expect to collect in full and are currently assessing the impact on our accounts receivable, and we expect any impact to be immaterial. Therefore, the Company does not expect adoption to have a material impact on its consolidated financial statements.

NOTE 3 – REVENUE FROM CONTRACTS WITH CUSTOMERS

Our member customers are billed based on fee schedules that are agreed upon in each member's contract. The contracts with our members consist of an ongoing member services agreement in which we provide operating cycle services to our members, with the agreement being cancelable by a member or ITEX at any time upon proper advance notice.

Receivables, net of allowance from customers were $341 at July 31, 2021, $361 at July 31, 2020 and $406 as of August 1, 2019. An allowance is maintained for accounts receivables which is generally based on the number of days outstanding. Adjustments to the allowance are recorded in selling, general and administrative expense in the consolidated income statement.

Contract liabilities represent payments received in advance of providing services and were $10 and $12 at July 31, 2021 and 2020, respectively, and $13 as of August 1, 2019. Contract liabilities are included as Deferred Revenue on the consolidated balance sheet. We have no contract assets due to the short-term nature of our performance obligations with all commissions being paid to our franchisees after completion of each operating cycle performance obligation and not in advance of satisfaction of such performance obligations.

We have determined we have one performance obligation with our members which consists of operating cycle member services that includes access to our marketplace platform. The benefits provided to our members are considered a set of highly interrelated activities associated with access to our marketplace and the ability to conduct transactions within the marketplace and are not deemed to be distinct within the context of our member agreements.

We have elected the practical expedient to recognize revenue associated with transaction fees we are entitled to in which we have a right to invoice as such consideration from our members corresponds directly with the value received based upon our performance completed to date.

Our main source of revenue consists of variable transaction and fixed association fees. We bill members for all fees at the end of each four-week operating cycle. Members that pay through our Autopay System will generally be charged a variable transaction fee equal to 6.0% of the ITEX dollar amount of the member's purchases and sales during the operating cycle. Additionally, regardless of a member's transaction activity, each operating cycle we charge most members a fixed association fee of $20 per cycle.

We recognize revenue over time ratably based on the gross amount of revenue we ultimately expect to collect from our members which includes any adjustments for variable consideration such as discounts, allowances and amounts which we ultimately do not expect to collect. There are no unsatisfied performance obligations as of July 31, 2021.

The table below presents our disaggregated revenue for the years ended July 31:

	Year Ended July 31,					
	2021			2020		
	US	Canada	Total	US	Canada	Total
Association fees	$ 2,744	$ 151	$ 2,895	$ 2,950	$ 159	$ 3,109
Transaction fees	3,554	235	$ 3,789	4,284	302	$ 4,586
Other revenue	180	13	$ 193	169	15	$ 184
Total Revenue	$ 6,478	$ 399	$ 6,877	$ 7,403	$ 476	$ 7,879

NOTE 4 – CASH AND CASH EQUIVALENTS, ACCOUNTS RECEIVABLE, COMMISSIONS PAYABLE TO FRANCHISEES AND ACCRUED COMMISSIONS TO FRANCHISEES

The timing differences between our operating cycles and our accounting cycles cause fluctuations in the comparative balances of cash and cash equivalents, accounts receivable, commissions payable to franchisees and accrued commissions to franchisees presented on the consolidated balance sheets. Depending on the length of time between the end of the operating cycle and the end of the accounting cycle, members' payments on accounts receivable balances may vary. The longer the time, the greater amount of USD collections causes an increase in the reported cash and cash equivalents balance and a decrease in the net accounts receivable balance. The difference between our operating cycle ending date and the reporting date for July 31, 2021 was eleven business days as our cycle end date was on July 15, 2021. In 2020, our operating cycle ending date was on July 16, 2020, also eleven business days from the accounting cycle end date of July 31, 2020.

We compute commissions to franchisees as a percentage of USD collections of our revenues from association fees and transactions fees. Commissions payable to franchisees include amounts owed for the most recently ended operating cycle. We pay commissions in two tranches with approximately 50% paid approximately one week after the end of the operating cycle and the remainder paid approximately two weeks later. Commissions accrued are the estimated commissions on the net accounts receivable balance and USD collections on accounts receivable since the most recently ended operating cycle.

Our payments for salaries and wages to our employees occur on the same bi-weekly schedule as our commission payments to franchisees.

NOTE 5 – NOTES RECEIVABLE

Notes receivables have been originated primarily to franchisees for acquiring other franchisees and independent exchanges. In 2021, we originated $30 in new loans to franchisees.

The aggregate total owed to us on July 31, 2021 and 2020 is $48 and $218, respectively. The loans mature at various dates through the fiscal year 2023.

The activity for Notes receivables was as follows:

Balance at July 31, 2019	$	494
Principal additions		-
Interest income at stated rates		22
Payments received		(298)
		218
Less current portion		(125)
Long-term balance at July 31, 2020	$	93
Balance at July 31, 2020	$	218
Principal additions		30
Interest income at stated rates		6
Payments received		(206)
		48
Less current portion		(27)
Long-term portion balance at July 31, 2021	$	21

NOTE 6 - GOODWILL

We analyzed goodwill as of July 31, 2021 and 2020 using a market capitalization approach and a discounted cash flow methodology with a risk-adjusted weighted average cost of capital (WACC). We believe the use of a discounted cash flow approach is the most reliable indicator for the Company to use when determining its estimated fair market value. In order to determine the future cash flows, we prepared a cash flow forecast for the next 15 years based on past experience and our anticipated capital expenditures, revenue and expense forecast. In connection with our assessment of goodwill impairment, management determined that a Step 1 impairment assessment should be performed. Our evaluation determined after performance of Step 1, that there was no impairment of goodwill at July 31, 2021 and 2020.

NOTE 7 – COMMITMENTS AND OPERATING LEASE ACCOUNTING

We lease office space for our corporate headquarters in Bellevue, Washington. In July 2016, we signed a 5-year lease for a new location in Bellevue, Washington, with a lease commencement date of September 15, 2016. The lease expiration date is March 31, 2022.

Lease commitments for the year ending July 31,		
2022		53
Thereafter		-
Total	$	53

The lease expense for our executive office space for the years ended July 31, 2021 and 2020 was $116 and $115, respectively.

We have one operating lease, as described above. We capitalized the remaining lease commitment on our balance sheet with an offsetting current and long-term liability also recorded. The ROU current lease liability is a component of Accrued expenses, and the long-term portion is listed on our balance sheet as other long-term liabilities. We used a discount rate of the Prime interest rate at the time of adoption of 5.25%. The amount of the Right of Use asset at July 31, 2021 is $45. The current and long-term liability at July 31, 2021 is $0 and $53, respectively.

The activity and balances for the lease liability are as follows:

	Year ended July 31, ROU Liability Balance	
August 1, 2019 beginning Balance		216
Rents Paid		(87)
Imputed Interest		10
July 31, 2020 Balance		139
7/31/2020 ROU liabilty balance	$	139
Rents paid		(91)
Imputed interest		5
7/31/2021 ROU liabilty balance	$	53
Current ROU liabilty	$	53
Long-term ROU liability		-
	$	53

NOTE 8 – LOAN PAYABLE

During April 2020, we received loan proceeds in the amount of approximately $176 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provided loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loan and accrued interest were forgivable as long as the borrower used the loan proceeds within twenty-four (24) weeks for eligible purposes, including payroll, benefits, rent and utilities, and maintained its payroll levels. Under the terms of the loan, the amount of loan forgiveness would be reduced if the borrower terminated employees or reduced salaries during the eight-week period.

Consistent with the PPP loan provisions, we maintained our payroll levels and did not terminate or reduce any employee salaries. All loan proceeds were used for payroll, health benefits and rent during the fiscal year 2020 and within the 24-week eligibility requirement. The loan was recorded as an in-substance government grant with the proceeds recorded as an offset to related payroll and rent expenses as such expenditures were incurred during the period ended July 31, 2020. The loan was forgiven in December 2020.

NOTE 9 – STOCK-BASED PAYMENTS

In December 2013, stockholders approved the adoption of the ITEX Corporation 2014 Equity Incentive Plan (the “2014 Plan”), pursuant to which 400 shares of common stock were authorized for issuance. The 2014 Plan replaced the previous ITEX Corporation 2004 Equity Incentive Plan (the “2004 Plan”). The 2014 Plan provides for the awards of restricted stock, restricted stock units, and other awards including unrestricted stock awards, stock bonuses, or the payment of cash for bonuses or in settlement of restricted stock unit awards to the Company’s employees, directors, officers or consultants. 25 shares remained available for future grants under the 2014 Plan as of July 31, 2021.

In May 2021 and April 2020, the Company issued 156 and 27 shares, respectfully under the Plan to officers and a consultant. The issuance was deemed to be exempt from registration under the Securities Act in reliance on Rule 701 promulgated thereunder. The recipient received restricted securities and transfer agent records and any certificate issued in the transaction carry an appropriate legend. The fair value of these shares as of the grant date was $669 and $95.

The number of restricted shares that vested under the above two plans was 38 during the year ended July 31, 2021 and 33 for the year ended July 31, 2020. At July 31, 2021, 38 and 163 shares of common stock granted under the 2004 and 2014 Plan, respectively remained unvested. At July 31, 2021, the Company had $749 of unrecognized compensation expense.

The following table summarizes the components of stock-based compensation:

	Year ended July 31, 2021	Year ended July 31, 2020
Employee Compensation	$ 158	$ 129
Non-Employee Compensaton	$ 28	$ -
Totals	$ 186	$ 129

The following table summarizes the granted, forfeited and vested shares of the 2004 Plan:

	Number of Shares/Options		
	Expired	Restricted Shares	Stock Options
Balance, July 31, 2019	-	390	-
Granted	-	-	-
Forfeited	-	-	-
Balance, July 31, 2020	-	390	-
Granted	-	-	-
Forfeited	-	-	-
Balance, July 31, 2021	-	390	-
Vesting as of July 31, 2021:			
Shares Vested		352	-
Shares Unvested		38	-
Balance at July 31, 2021		390	-

The following table summarizes the granted, forfeited and vested shares of the 2014 Plan:

	Number of Shares/Options		
	Available	Restricted Shares	Stock Options
Balance, July 31, 2019	209	191	-
Granted	(27)	27	-
Forfeited	-	-	-
Balance, July 31, 2020	182	218	-
Granted	(156)	156	-
Forfeited	-	-	-
Balance, July 31, 2021	26	374	-
Vesting as of July 31, 2021:			
Shares Vested		211	-
Shares Unvested		163	-
Balance at July 31, 2021		374	-

NOTE 10 - STOCKHOLDERS' EQUITY

On March 9, 2010, we announced a $2,000 stock repurchase program, authorized by the Board of Directors. The program authorizes the repurchase of shares in open market purchases or privately negotiated transactions, has no expiration date and may be modified or discontinued by the Board of Directors at any time. As part of our stock repurchase program, we repurchased a total of 165 and 3 shares of ITEX common stock for $267 and $14 in 2021 and 2020, respectively. There is $337 remaining in the program for repurchases.

On December 21, 2020, the Company completed a 600-for-1 reverse stock split of common stock, which was immediately followed by a forward split of common stock at a ratio of 600-for-1. Fractional shares were canceled and a cash payment of $4.50 per share, on a pre-split basis, was paid out to shareholders who held less than six hundred shares prior to the reverse stock split. The Reverse/Forward split resulted in a net reduction in the number of issued and outstanding shares of ITEX's common stock by 109 shares for $493.

On December 16, 2019 we paid a semi-annual cash dividend in the amount of $0.10 per share, payable on to stockholders of record as of the close of business on December 2, 2019. On June 12, 2020 we paid a semi-annual cash dividend in the amount of $0.10 per share, payable to stockholders of record as of the close of business on June 1, 2020.

On December 1, 2020, we paid a semi-annual cash dividend in the amount of $0.10 per share to stockholders of record as of November 13, 2020. On June 15, 2021, we paid a semi-annual cash dividend $0.10 per share to stockholders of record as of June 1, 2021.

The Company has 5,000 shares of preferred stock authorized at $0.01 par value. No shares were issued or outstanding as of July 31, 2021 or 2020.

NOTE 11 - INCOME TAXES

Deferred tax assets on our balance sheet primarily include Federal net operating loss carry forwards (collectively “NOLs”) which are expected to result in future tax benefits. Realization of these NOLs assumes that we will be able to generate sufficient future taxable income to realize these assets. Deferred tax assets also include temporary differences between the financial reporting basis and the income tax basis of its assets and liabilities at enacted tax rates expected to be in effect when such assets or liabilities are realized or settled.

In assessing the recoverability of deferred tax assets, we consider whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences are expected to be deductible. We consider the scheduled reversal of deferred tax liabilities, projected future taxable income and projections for future taxable income over the periods in which the deferred tax assets are expected to be deductible.

On July 31, 2021, we had NOLs of approximately $3,465 available to offset future taxable income. These are composed of approximately $2,130 from ITEX operating losses and approximately $1,334 from BXI operating losses. The future utilization is recorded as a deferred tax asset to the extent that management believes it is more likely than not that we will generate sufficient future taxable income. We periodically assess the realizability of our available NOLs to determine whether we believe we will generate enough future taxable income to utilize some portion or all of the available NOLs. We determined that we will not be able to utilize all of our Federal NOLs as of July 31, 2021. As of July 31, 2021 and 2020, we have a $315 and $326 valuation on Federal NOLs, respectively.

The deferred tax assets recorded represent our estimate of all deferred tax benefits to be utilized in the current year and future periods beyond 2020. The following table reflects the reconciliation of the company’s income tax expense:

	Year Ended July 31,	
	2021	2020
Pre-Tax financial income	$ 1,034	$ 1,016
Federal tax expense computed at the statutory rate	217	213
State tax expense	18	23
State ASC 740 adjustment	7	13
Change in valuation allowance	(11)	(27)
Permanent and other differences	1	5
Net tax expense	232	227

Our income tax expense is composed of the following:

	Year Ended July 31, 2021	2020
Current Federal Tax Expense	-	(116)
Current State Tax Expense	14	26
	14	(89)
Deferred Federal Tax Expense	203	301
Deferred State Tax Expense	29	15
	232	227

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and liabilities at July 31, 2021 and 2020 are presented below:

	Year Ended July 31, 2021	2020
Deferred Tax Assets		
Net operating loss carryforwards	$ 728	$ 857
Goodwill and other intangible assets	(75)	(28)
Non-compete covenants	9	14
Reserve for uncollectible receivables	85	130
Federal tax credits	5	5
Other temporary differences	89	84
	840	1,062
Less: Valuation allowance	(315)	(326)
Net deferred tax asset	525	736

ITEX Federal NOLs of approximately $2,130 expire, if unused, from tax years 2021 to 2024. BXI Federal NOLs of approximately $1,334 expire, if unused, from 2021 to 2025 and are subject to an annual limitation of approximately $172. This limitation is equal to the long-term federal tax exempt rate multiplied by the total purchase price of BXI.

The Company has research and development credits of $5 available to offset future taxes payable.

In accordance with the accounting guidance surrounding the uncertainty in Income Taxes we have recorded unrecognized tax liabilities of $63 as follows:

		Year Ended July 31, 2021
Balance at July 31, 2020	$	56
Increase as a result of tax positions taxen in the current year		11
Increase as a result of tax positions taken in the prior year		5
Decrease resulting from settlements, payments and changes in estimates of probability tax positions will be sustained		(9)
Balance at July 31, 2021	$	63

We file income tax returns in the United States as well as various United States state jurisdictions. The tax years that remain subject to examination are 2016 through 2020 in the United States. We also have available NOLs dating from 2000 which, when used, could be subject to examination by taxing authorities. We do not believe there will be any material changes in our unrecognized tax positions over the next twelve months.

As of July 31, 2021, accrued expenses are included on our consolidated balance sheet for uncertain tax positions related primarily to state jurisdictions in the amount of $63 which includes $14 for interest and penalties associated with unrecognized tax benefits. Interest and penalties are included in income tax expense.

NOTE 12 – RELATED PARTY TRANSACTIONS

ITEX and its subsidiaries had no related party transactions during our last fiscal year, nor are there any currently proposed transactions, in which ITEX or its subsidiaries was or is to be a participant.

NOTE 13 – Employee Retention Tax Credit (ERTC)

The Coronavirus Aid, Relief, and Economic Security (CARES) Act provided an opportunity for employers to generate a refundable tax credit used to offset their employment taxes and apply for a refund for any excess credit generated through December 31, 2020.

The COVID-19-related Tax Relief Act of 2020, as included in the Consolidated Appropriations Act, 2021, which was enacted in December 2020, further extended the Employee Retention Tax Credit (ERTC) through June 30, 2021, and included certain enhancements that apply starting January 1, 2021. In March 2021, the American Rescue Plan Act (ARPA) was signed by President Biden and further extended the ERTC through the end of 2021.

ITEX applied for the tax credit through an amended 941 for the first and second quarter of calendar year 2021 in the amount of $49, $98 total. We received a check from the IRS for the first quarter and expect to receive the 2nd payment. This credit was recorded net of corporate salaries expense and included in Corporate salaries, wages, and employee benefits on the consolidated statements of income.

NOTE 14 – SUBSEQUENT EVENTS

Subsequent events were evaluated through October 15, 2021 and there are no events to disclose.

Supplemental Information

Defaults upon Senior Securities

Not applicable.

Exhibits

Exhibit No.	Exhibit Description	Form	Exhibit No.	Posting Date	Posted Herewith
		Incorporated by Reference OTC Disclosure and News Service			
Material Contracts					
1	Lease dated as of June 10, 2016	Supplemental Information	1	10-23-17	
2	Form of Indemnification Agreement	Supplemental Information	2	10-23-17	
3	2014 Equity Incentive Plan	Supplemental Information	3	10-23-17	
4	Form of Restricted Stock Agreement	Supplemental Information	4	10-23-17	
Articles of Incorporation and Bylaws					
5	Amended and Restated Articles of Incorporation	Supplemental Information	5	10-23-17	
6	Certificate of Designation of Series A Junior Participating Preferred Stock	Supplemental Information	6	10-23-17	
7	Amended and Restated Bylaws	Supplemental Information	7	10-23-17	