U.S. Nutraceuticals, Inc.
(d/b/a Valensa International)
and Subsidiary

Consolidated Financial Statements
Years Ended March 31, 2021 and 2020

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Contents

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Independent Auditor's Report

The Board of Directors
U.S. Nutraceuticals, Inc. (d/b/a Valensa International)
Eustis, Florida

Opinion

We have audited the consolidated financial statements of U.S. Nutraceuticals (d/b/a Valensa International) and its subsidiary (the Company), which comprise the consolidated balance sheets as of March 31, 2021 and 2020, and the related consolidated statements of operations, stockholder's equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

BDO USA, LLP

Certified Public Accountants
April 24, 2021

Consolidated Financial Statements

U.S. Nutraceuticals, Inc. (d/b/a Valensa International) and Subsidiary

Consolidated Balance Sheets

March 31,	2021	2020
Assets		
Current		
Cash and cash equivalents	$ **115,621**	$ 94,382
Accounts receivable, net	**5,034,487**	5,654,083
Inventories, net	**12,706,102**	9,035,424
Prepaid expenses and other current assets	**348,086**	1,119,529
Total Current Assets	**18,204,296**	15,903,418
Property and Equipment, Net	**1,725,178**	1,803,450
Other Assets		
Intangible assets, net	**1,517,756**	1,873,573
Goodwill, net	**562,798**	629,009
Deferred tax asset	**963,463**	884,253
Deposits	**27,070**	27,070
Total Other Assets	**3,071,087**	3,413,905
	$ **23,000,561**	$ 21,120,773
Liabilities and Stockholder's Equity		
Current Liabilities		
Accounts payable	$ **1,311,696**	$ 1,043,609
Accrued expenses	**1,795,641**	1,534,210
Related-party payables	**3,262,589**	1,487,302
Income tax payable	**118,712**	-
Line of credit	**4,900,000**	6,140,000
Total Current Liabilities	**11,388,638**	10,205,121
Commitments and Contingencies (Notes 11 and 13)		
Stockholder's Equity		
Common stock, $1 par value, 1,000 shares authorized; 1,027 issued and outstanding	**1,027**	1,027
Additional paid-in capital	**20,121,437**	20,121,437
Accumulated deficit	**(8,510,541)**	(9,206,812)
Total Stockholder's Equity	**11,611,923**	10,915,652
	$ **23,000,561**	$ 21,120,773

See accompanying notes to consolidated financial statements.

U.S. Nutraceuticals, Inc. (d/b/a Valensa International) and Subsidiary

Consolidated Statements of Operations

Year ended March 31,		2021		2020
Revenues				
Product sales	$	**25,999,916**	$	19,864,968
Tolling revenues		**-**		1,657,250
Other revenues		**593,320**		694,726
Total Revenues		**26,593,236**		22,216,944
Cost of Sales		**18,432,640**		15,536,324
Gross Profit		**8,160,596**		6,680,620
Selling, General and Administrative Expenses				
Salaries and wages		**3,522,887**		3,269,952
Insurance		**810,092**		730,079
Royalties and external commissions		**39,754**		10,354
Depreciation		**433,064**		407,354
Professional fees		**1,034,200**		1,060,275
Gas		**452,547**		380,572
Travel expenses		**94,746**		344,237
Employee Commissions		**36,000**		-
Repairs and maintenance		**319,490**		249,361
Amortization		**315,325**		274,341
Payroll taxes		**233,548**		218,552
Utilities		**194,713**		179,987
Supplies		**198,046**		215,066
Promotional events		**24,944**		174,964
Employee benefits		**119,282**		106,993
Taxes and licenses		**67,472**		90,041
Miscellaneous		**56,959**		69,002
Outside labor		**174,645**		176,496
Telephone		**49,471**		51,411
Advertising and marketing		**829,486**		792,024
Meals and entertainment		**23,432**		68,379
Internet and computer services		**55,604**		67,956
Samples		**54,850**		60,938
Rent		**268,760**		115,382
Uniforms		**40,023**		38,250
Dues and subscriptions		**90,681**		57,648
Postage and freight		**57,462**		28,222
Bank charges		**68,900**		48,211
Data processing		**13,304**		18,034
Loss on disposal of property and equipment		**138,499**		10,185
Safety		**6,696**		5,487
Impairment of intangible assets		**71,449**		134,421
Less applied production costs		**(2,733,303)**		(2,550,816)
Total Selling, General and Administrative Expenses		**7,163,028**		6,903,358
Research and Development Expenses		**7,433**		97,658
Operating Income (Loss)		**990,135**		(320,396)
Other Expense				
Loss on equity method investment	$	**-**	$	(272,080)
Interest expense		**(123,609)**		(180,991)
Other income (expense), net		**(2,753)**		(3,897)
Total Other Expense, Net		**(126,362)**		(456,968)
Net Income (Loss) Before Income Taxes		**863,773**		(777,364)
Income Tax Benefit (Expense)		**(167,502)**		170,703
Net Income (Loss)	$	**696,271**	$	(606,661)

See accompanying notes to consolidated financial statements.

U.S. Nutraceuticals, Inc. (d/b/a Valensa International) and Subsidiary

Consolidated Statements of Stockholder’s Equity

	Common Stock				
	Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Total Stockholder’s Equity
Balance, March 31, 2019	1,000	$ 1,000	$ 19,571,464	$ (8,300,151)	$ 11,272,313
Distributions to Parent	-	-	-	(300,000)	(300,000)
Contribution from Parent	27	27	549,973	-	550,000
Net loss	-	-	-	(606,661)	(606,661)
Balance, March 31, 2020	1,027	1,027	20,121,437	(9,206,812)	10,915,652
Net income	-	-	-	696,271	696,271
Balance, March 31, 2021	1,027	$ 1,027	$ 20,121,437	$ (8,510,541)	$ 11,611,923

See accompanying notes to consolidated financial statements.

U.S. Nutraceuticals, Inc. (d/b/a Valensa International) and Subsidiary

Consolidated Statements of Cash Flows

Year ended March 31,	2021	2020
Cash Flows from Operating Activities		
Net income (loss)	$ **696,271**	$ (606,661)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	**748,389**	681,695
Loss on disposal of property and equipment	**138,499**	10,185
Impairment of intangible assets	**71,449**	134,421
Loss on write off of obsolete inventory	**104,567**	92,695
Loss on equity method investment	**-**	272,080
Deferred tax benefit	**(79,210)**	(170,703)
Changes in operating assets and liabilities:		
Accounts receivable	**619,596**	(1,361,492)
Inventories	**(3,775,245)**	(3,401,128)
Prepaid expenses and other current assets	**771,443**	(629,305)
Deposits	**-**	(1,390)
Accounts payable	**268,087**	6,200
Accrued expenses	**261,431**	(264,050)
Related-party receivables/payables, net	**1,910,128**	1,063,911
Income tax payable	**118,712**	-
Net Cash Provided by (Used in) Operating Activities	**1,854,117**	(4,173,542)
Cash Flows from Investing Activities		
Purchase of property and equipment	**(451,820)**	(48,587)
Purchase of intangible assets	**(6,217)**	(28,080)
Cash received in acquisition, net of cash paid	**-**	539,089
Net Cash Provided by (Used in) Investing Activities	**(458,037)**	462,422
Cash Flows from Financing Activities		
Distributions to Parent	**-**	(300,000)
Contribution from Parent	**-**	550,000
Net advances from Parent	**(134,481)**	134,481
Borrowings under line of credit	**9,650,000**	10,830,000
Repayments under line of credit	**(10,890,000)**	(7,440,000)
Net Cash Provided by (Used in) Financing Activities	**(1,374,841)**	3,774,481
Net Increase in Cash and Cash Equivalents	**21,239**	63,361
Cash and Cash Equivalents, beginning of year	**94,382**	31,021
Cash and Cash Equivalents, end of year	$ **115,621**	$ 94,382
Supplemental Disclosures of Cash Flow Information		
Interest paid	$ **126,874**	$ 171,568
Taxes paid	**128,000**	-

See accompanying notes to consolidated financial statements.

1. Nature of Organization and Operations

U.S. Nutraceuticals, Inc., formerly U.S. Nutraceuticals, LLC (the Company) was formed on July 27, 1998 under the laws of the state of Florida. E.I.D. Parry (India), Ltd. (the Parent) is the majority member. The Company is doing business as Valensa International and is a science-based developer and producer of high-quality botanical sourced products, including nutraceutical supplements, functional foods, general nutrition and functional cosmetic ingredients.

On September 30, 2019, the Company acquired the remaining 51% membership interest in LaBelle Botanics, LLC (LaBelle), requiring a change from the equity method to consolidation of LaBelle, which is now a wholly owned subsidiary (see Note 7).

2. Summary of Significant Accounting Policies

Basis of Accounting and Principles of Consolidation

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). All intercompany accounts and transactions between the Company and its wholly owned subsidiary have been eliminated in consolidation.

Business Combination

The consolidated financial statements reflect the acquisition of LaBelle as described in Note 7 under the acquisition method of accounting in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 805, *Business Combinations* (ASC 805), in which assets acquired and liabilities assumed are recorded at estimated fair values as of the date of acquisition. Relevant accounting literature requires the acquiring entity in a business combination to recognize the assets acquired and liabilities assumed in the transaction, establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed, and requires the acquirer to disclose to investors and other users of the consolidated financial statements all of the information necessary to evaluate and understand the nature and financial effect of the business combination. Goodwill is recorded in a business combination to the extent the purchase price exceeds the estimated fair value of the net tangible and intangible assets acquired. If the estimated fair value of the net tangible and intangible assets acquired is in excess of the purchase price, the difference results in a bargain purchase and the acquirer shall recognize the resulting gain in earnings on the acquisition date.

Cash and Cash Equivalents

The Company considers all short-term investments with an original maturity of three months or less, from date of purchase, to be cash equivalents.

Accounts Receivable

The Company sells its products on credit terms that the Company establishes for each customer. Trade receivables are recorded upon recognition of sales based upon the date the customer takes control of the product. The Company's determination of the allowance for doubtful accounts is based on an evaluation of the accounts receivable, past experience, current economic conditions and other risks inherent in the accounts receivable portfolio. Accounts are written off when they are determined to be uncollectible. As of March 31, 2021 and 2020, the Company has recorded an allowance for doubtful accounts of approximately $4,000.

Inventories

Inventories consist of raw materials, work-in-process and finished goods. Inventories are stated at the lower of cost (based on the weighted-average method) or net realizable value. Capitalized labor and overhead costs are absorbed into inventory production through an “applied production costs” account on the consolidated statements of operations. A reserve is recorded for any inventories deemed slow moving or obsolete.

Property and Equipment

Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are charged to expense as incurred. The carrying amount of accumulated depreciation of assets sold or retired are removed from the accounts in the year of disposal and any resulting gain or loss is included in results of operations.

Goodwill and Other Intangible Assets

Intangible assets consist of goodwill, patents, patents pending, regulatory permitting costs, trademarks and tradenames. Definite-lived intangibles are amortized using the straight-line method over the life of the intangible, ranging from 10 to 20 years. The Company’s goodwill was recorded as a result of the Company’s business combination of LaBelle in fiscal 2020.

Effective April 1, 2019, the Company adopted Accounting Standards Update (ASU) 2014-18, *Accounting for Identifiable Intangible Assets in a Business Combination*, which allows for private companies to not recognize separately from goodwill certain assets arising from customer relationships and noncompetition agreements upon a business acquisition unless they are contract assets that are capable of being sold or licensed independently from other assets of a business. Eligible customer-related intangible assets would be subsumed into goodwill and the goodwill is amortized. ASU 2014-18 requires the adoption of ASU 2014-12, *Accounting for Goodwill*, which allows eligible private companies to amortize goodwill and apply a one-step impairment model. Accordingly, the excess of the fair value of consideration paid over fair value of net identifiable assets and liabilities of an acquired business (goodwill) is amortized on a straight-line basis over ten years.

The Company assesses the recoverability of its goodwill and indefinite lived intangible assets whenever events or changes in circumstances indicate that the carrying amount of the asset may be not recoverable. There was no impairment of goodwill or indefinite lived intangible assets during the years ended March 31, 2021 and 2020.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets for impairment, such as property and equipment and purchased definite-lived intangibles, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. The Company recorded an impairment on its ending patents of $71,499 and $134,421 during the years ended March 31, 2021 and 2020, respectively, as a result of a decision to discontinue selling products related to certain patents.

Revenue Recognition

The Company recognizes revenue from product sales at a point in time when control of the promised goods is transferred to the customer in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. Control of the goods is transferred either upon shipment from the Company’s warehouse or upon receipt by the customer, depending on the shipping terms of the contract.

There are several factors in determining that control transfers to the customer upon shipment of products, which include that legal title transfers to the customer, present right to payment exists, and that the customer has assumed the risks and rewards of ownership.

Tolling revenues represent extraction services provided to customers and are recognized at a point in time upon completion of the extraction work.

Sales (and similar) taxes that are imposed on sales and collected from customers are excluded from revenues.

Advertising Costs

Advertising costs, included in selling, general and administrative expenses on the consolidated statements of operations, are expensed as incurred. The Company incurred approximately $374,000 and $123,000 in advertising expenses for the years ended March 31, 2021 and 2020, respectively.

Research and Development

Research and development costs to develop new products are charged to expense as incurred.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the consolidated financial statements and consist of taxes currently due plus deferred taxes resulting from temporary differences. Such temporary differences result from differences in the carrying value of assets and liabilities for tax and financial reporting purposes. The deferred tax assets and liabilities represent the future tax consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

The Company identifies and evaluates uncertain tax positions, if any, and recognizes the impact of uncertain tax positions for which there is a less than more-likely-than-not probability of the position being upheld when reviewed by the relevant taxing authority. Such positions are deemed to be unrecognized tax benefits and a corresponding liability is established on the consolidated balance sheets. The Company has not recognized a liability for uncertain tax positions. If there were an unrecognized tax benefit, the Company would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. The Company’s tax years subject to examination by the Internal Revenue Service generally remain open for three years from the date of filing.

On March 27, 2020 the Coronavirus Aid, Relief and Economics Security Act (the CARES Act) was enacted. The CARES Act was enacted to address the economic fallout of the COVID-19 outbreak on the economy. The CARES Act included benefits to corporate taxpayers including but not limited to allowing net operating losses to be carried back, increasing the 163(j) deductible interest limitation, and accelerating the refund of alternative minimum tax credits. The CARES Act did not have a significant impact to the Company's consolidated financial statements.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The Company reports its financial assets and liabilities using a three-tier hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to adjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

ASC 820 describes the following three levels of inputs that may be used to measure fair value:

Level 1 – This level consists of valuations based on adjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – This level consists of valuations based on quoted market prices for similar assets and liabilities in active markets.

Level 3 – This level consists of valuations based on unobservable inputs that are supported by little or no market activity, therefore requiring management's best estimate of what market participants would use as fair value.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management.

The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values due to the short-term nature of these instruments. These financial instruments include cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and related-party payables. The fair value of the Company's line of credit is estimated based on current rates that would be available for debt of similar terms which is not significantly different from its stated value.

The Company does not have any Level 1, 2 or 3 financial instruments.

Accounting Pronouncement Issued but Not Yet Adopted

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This ASU requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments. For leases with a lease term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize a right-of-use asset or lease liability. A lessee making this accounting policy election would recognize lease expense over the term of the lease, generally in a straight-line pattern. In transition, a lessee and a lessor will recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients. These practical expedients relate to identifying and classifying leases that commenced before the effective date, initial direct costs for leases that commenced before the effective date, and the ability to use hindsight in evaluating lessee options to extend or terminate a lease or to purchase the underlying asset. ASU 2018-11 was issued in June 2018 that also permits entities to choose to initially apply ASU 2016-02 at the adoption date and recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. In June 2020, Topic 842 was amended to allow entities to elect to postpone adoption until fiscal years beginning after December 15, 2021. Early adoption is permitted. The Company intends to adopt this new standard on April 1, 2023. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

Credit Losses

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments*. The standard provides guidance for estimating credit losses on certain types of financial instruments, including trade receivables, by introducing an approach based on expected losses. The expected-loss approach will require entities to incorporate considerations of historical information, current information and reasonable and supportable forecasts. ASU 2017-13 also amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The FASB has issued several amendments to the standard. In November 2019, the FASB amended the standard with the issuance of ASU 2019-10, *Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*. The amendment revised the effective date of ASU 2016-13 to fiscal years beginning after December 15, 2022. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

4. Inventories

Inventories consist of the following:

March 31,	**2021**	2020
Raw materials	**$ 2,190,411**	$ 1,645,956
Work-in-process	**2,533,712**	3,584,093
Finished goods	**8,138,870**	3,944,794
Less: reserve for slow moving or obsolete inventory	**(156,891)**	(139,419)
	$ 12,706,102	$ 9,035,424

5. Property and Equipment, Net

Property and equipment, net consists of the following:

March 31,	Estimated Useful Life (Years)		2021		2020
Land and improvements	0-20	**$**	**234,143**	$	234,143
Building and improvements	7-20		**4,913,419**		4,863,881
Machinery and equipment	5-12		**4,771,200**		5,043,477
Furniture and fixtures	3-10		**270,723**		328,744
Vehicles	5		**26,111**		26,111
Construction-in-process			**269,892**		-
			10,485,488		10,496,356
Less: accumulated depreciation			**(8,760,310)**		(8,692,906)
		$	**1,725,178**	$	1,803,450

Depreciation expense was $433,064 and $407,354 for the years ended March 31, 2021 and 2020, respectively.

6. Goodwill and Other Intangibles

Goodwill

The change in the carrying amount of goodwill is as follows:

Year ended March 31,		2021		2020
Balance, beginning of year	**$**	**629,009**	$	-
Business acquisition of LaBelle		**-**		662,115
Amortization expense		**(66,211)**		(33,106)
Balance, end of year	**$**	**562,798**	$	629,009

Future amortization of goodwill is as follows as of March 31, 2021:

Year ending March 31,		
2022	$	66,212
2023		66,212
2024		66,212
2025		66,212
2026		66,212
Thereafter		231,738
Total	$	562,798

Other intangible assets consist of the following:

March 31,	Estimated Useful Lives (Years)	**2021**	2020
Patents	10-20	**$ 2,085,029**	$ 2,170,258
Pending patents	-	**367,276**	435,339
Regulatory permitting costs	10-20	**142,302**	142,302
Trademarks	Indefinite	**374,745**	371,914
Tradename	6	**278,300**	278,300
		3,247,652	3,398,113
Less: accumulated amortization		**(1,729,896)**	(1,524,540)
		$ 1,517,756	$ 1,873,573

Amortization expense of intangible assets was $249,114 and $241,235 for the years ended March 31, 2021 and 2020, respectively. Impairment of intangible assets was $71,449 and $134,421 for the years ended March 31, 2021 and 2020, respectively.

The Company will begin amortizing $367,276 in pending patent costs upon their approval by the associated regulatory agency. Future amortization expense on the remaining definite-lived intangibles are as follows:

Year ending March 31,	
2022	$ 218,000
2023	167,000
2024	154,000
2025	130,000
2026	79,000
Thereafter	28,000
	$ 776,000

7. Business Acquisition of LaBelle

On September 30, 2019, the Company purchased the remaining 51% interest in LaBelle for $650,000 in cash, requiring a change from the equity method under U.S. GAAP to the consolidation of LaBelle. The remaining interest of LaBelle was acquired in order to have control over the supply chain and pricing and availability of its main raw material, saw palmetto berries. At the date of acquisition, the Company recorded a remeasurement loss of $179,530 related to its 49% equity interest in LaBelle, which was based on the fair value of the 49% interest, as determined by the discounted cash flow method, and is included in loss on equity method investment on the accompanying statement of operations for the year ended March 31, 2020. The acquisition effectively settled preexisting net receivables due from LaBelle.

The following is a summary of the consideration for the acquisition:

Consideration		
Cash paid for 51% interest	$	650,000
Settlement of net receivable from seller		8,231,088
Total Consideration		8,881,088
Fair value of 49% equity interest at date of acquisition		1,220,000
	$	10,101,088

The fair value of the net assets acquired are summarized below:

Assets Acquired (Liabilities Assumed)		
Cash	$	1,189,089
Receivables and other current assets		326,921
Inventory		7,096,602
Property and equipment		672,112
Tradename		278,300
Goodwill		662,115
Accounts payable and accrued expenses		(57,562)
Deferred tax liability		(66,489)
Net Assets Acquired	$	10,101,088

The fair value of the tradename acquired was determined using the income approach relief-from-royalty method. The excess of the purchase consideration over the fair value of net tangible and identifiable intangible assets acquired was recorded as goodwill. The accounting for this business combination has been completed. The Company expects goodwill to be deductible for income tax purposes.

The Company recognized a loss of $92,550 from its equity method investment in LaBelle for the period from April 1, 2019 through September 30, 2019, which is included in loss on equity method investment on the accompanying consolidated statement of operations for the year ended March 31, 2020.

8. Related-Party Transactions

Related-Party Payables

Related-party payables consist of inventory purchases from its Parent or entities related through common ownership. No defined repayment terms exist on related-party payables, as they are considered normal trade liabilities of the Company for normal operational purposes and are classified as current liabilities on the accompanying consolidated balance sheets.

Related-party payables of $3,262,589 at March 31, 2021 includes trade accounts payable for inventory purchases to the Company's Parent of approximately $1,678,000 and amounts owed to Alimtec S.A., an entity under common ownership with the Parent of approximately $1,585,000.

Related-party payables of $1,487,302 at March 31, 2020 includes advances of approximately $134,000 from the Company's Parent and trade accounts payable for inventory purchases to the Company's Parent of approximately $102,000 and amounts owed to Alimtec S.A., an entity under common ownership with the Parent for inventory purchases, of approximately $1,251,000.

Consignment Agent Agreement

The Company entered into a Consignment Agent Agreement (Agreement) with its Parent. Under the Agreement, the Company became the sales and distribution agent for sales of the Parent's Spirulina products within the United States of America and Canada. The effective date of the Agreement was October 1, 2009 was terminated by both parties, effective December 31, 2020.

The Company is reimbursed for certain clearing, warehousing and insurance costs associated with services performed under the Agreement. In addition, the Company is paid a 12% commission, on a monthly basis, on all net sales collected under the Agreement. The Company received approximately $210,000 and $332,000 in commission revenue under the Agreement for the years ended March 31, 2021 and 2020, respectively, which is recorded as other revenues in the accompanying consolidated statements of operations.

Other Related-Party Transactions

For the year ended March 31, 2021, the Company purchased product from the Company's Parent and Alimtec S.A. of approximately $1,854,000 and $2,166,000, respectively. Approximately 10% and 11%, respectively, of the Company's purchases for each of the year ended March 31, 2021 were from the Parent and Alimtec S.A.

For the year ended March 31, 2020, the Company purchased product from the Company's Parent and Labelle, prior to the acquisition of the 51% interest, and from Alimtec S.A., of approximately $531,000, $1,532,005, and $2,188,000, respectively. Approximately 4% and 16%, respectively, of the Company's purchases for each of the year ended March 31, 2020 were from the Parent and Alimtec S.A.

9. Lines of Credit

In September 2017, the Company obtained a revolving line of credit with a bank for maximum borrowings of $4,000,000. In August 2019, the line of credit was renewed in connection with the acquisition of LaBelle and was increased to maximum borrowing of $10,000,000 and matures in July 2021. The line bears interest at the bank's prime rate less 1.18% (2.07% at March 31, 2021). The loan is secured by substantially all the assets of the Company and three standby letters of credit totaling $10,000,000 issued by State Bank of India for $6,000,000, $2,000,000 and $2,000,000, all of which mature on September 15, 2021. Amounts outstanding under the line of credit cannot exceed the aggregate value of the letters of credit. At March 31, 2021 and 2020, the Company had $4,900,000 and $6,140,000, respectively, outstanding on the line of credit.

In August 2020, LaBelle obtained a revolving line of credit with a bank for maximum borrowings of $3,500,000. The line bears interest at the LIBOR rate plus 2.750% (2.86% at March 31, 2021). The loan is secured by substantially all the assets of the Company. There was no outstanding balance under this line of credit as of March 31, 2021.

The lines of credit require compliance with certain financial covenants. The Company was in compliance of the required financial covenants as of March 31, 2021.

10. Concentrations and Credit Risk

The Company's financial instruments that are exposed to concentrations of credit risk consist of cash and cash equivalents placed with federally insured financial institutions. Such accounts may at times exceed federally insured limits. Management believes the associated risk is minimized by placing such assets with quality financial institutions. The Company has not experienced any losses on such accounts.

The Company had one customer that accounted for approximately 26% of total revenues for each of the years ended March 31, 2021 and 2020. The Company had four customers that accounted for 14%, 13%, 12% and 10% of accounts receivable at March 31, 2021. The Company had three customers that accounted for 28%, 14% and 12% of accounts receivable at March 31, 2020.

The Company purchases inventory in excess of 10% of total purchases from its Parent and Alimtec P.A., as discussed in Note 8.

11. License Agreements

The Company has certain royalty commitments associated with the licensing of certain products. Royalty expense is generally based on a percentage of the underlying revenue. Royalty expense was approximately $28,000 and $7,000 for the years ended March 31, 2021 and 2020, respectively, and is included in royalties and external commissions' expense on the consolidated statements of operations.

12. Retirement Plans

Effective March 1, 2004, the Company adopted the U.S. Nutraceuticals Savings Plan (Plan). This Plan is a defined contribution plan, which includes a salary reduction feature. Employees are eligible to participate in the Plan based upon specific eligibility conditions set forth in the Plan document. The Company contributed matching funds equal to 100% of salary reduction contributions up to 3% of compensation, and 50% of salary reduction contributions for amounts greater than 3% of compensation for the employees electing to participate in the salary reduction program, up to a maximum of 5% of an employee's compensation. Matching contributions vest 100% immediately. For the years ended March 31, 2021 and 2020, the Company made approximately $45,000 and $80,000, respectively, in employer matching contributions which are included in employee benefits on the accompanying consolidated statements of operations.

13. Contingencies

The Company from time to time is involved in various legal actions arising in the normal course of business. Management, after reviewing with legal counsel all of these actions and proceedings, believes that the aggregate losses, if any, will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

14. Income Taxes

Income tax benefit (expense) consists of the following:

Year ended March 31,	2021	2020
Current		
Federal	$ (197,270)	$ -
State	(49,441)	-
	(246,711)	-
Deferred		
Federal	66,669	143,642
State	12,540	27,061
	79,209	170,703
Total Income Tax Benefit (Expense)	$ (167,502)	$ 170,703

Deferred income taxes arise from temporary differences resulting from income and expense items reported for financial accounting and tax purposes in different periods. Deferred tax assets are recorded to reflect deductible temporary differences and operating loss carry forwards while deferred tax liabilities are recorded to reflect taxable temporary differences.

Deferred tax asset consists of the following:

March 31,	2021	2020
Depreciation on property and equipment	$ 264,100	$ 205,756
Amortization of intangible assets	70,762	20,814
Accounts receivable allowance	942	942
Inventory reserve	39,144	34,785
Accrued salaries and wages	287,897	217,948
Accrued expenses	71,054	91,773
Patent pending reserve	139,922	33,538
Loss on LaBelle	44,793	44,793
UNICAP	31,216	17,212
Income from partnership	13,633	-
Operating loss carryforward	-	216,692
	$ 963,463	$ 884,253

15. COVID-19 and CARES Act

COVID-19

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The Company has proactively taken all necessary steps to address the challenges related to COVID-19 from an employee, customer and community perspective. The Company is ensuring all employees follow the CDC and the state/county guidelines. The Company's manufacturing plant in Eustis, Florida continues to operate at close to capacity as an "essential" business and all employees are provided necessary personal protective equipment. In order to minimize footprint at the manufacturing site, the Company is encouraging administrative staff to work from home and increased sick paid leave to 14 days. The Company is encouraging the employees to get vaccinated for COVID-19 and offered a paid day off to get vaccinated.

Although the Company cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material adverse effect on the Company's results of future operations, financial position, and liquidity in fiscal year 2022.

CARES Act

On March 27, 2020, the Coronavirus Aid, Relief and Economics Security Act (the CARES Act) was enacted. The CARES Act was enacted to address the economic fallout of the COVID-19 outbreak on the economy. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits and deferment of employer side social security payments. It also appropriated funds for SBA Paycheck Protection Program, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. As of the date of this report, the Company has not received any relief funding from the CARES Act and has not applied for any of its provisions. Currently, the Company does not believe the CARES Act will have any substantial effect on its financial condition, results of operation or liquidity.

16. Subsequent Events

The Company has evaluated events and transactions occurring subsequent to March 31, 2021 as of April 24, 2021, which is the date the consolidated financial statements were available to be issued. Subsequent events occurring after April 24, 2021 have not been evaluated by management. No material events have occurred since March 31, 2021 that require recognition or disclosure in the consolidated financial statements.