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

Consolidated Financial Statements
Years Ended March 31, 2022 and 2021

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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, Inc. (d/b/a Valensa International) and its subsidiary (the Company), which comprise the consolidated balance sheets as of March 31, 2022 and 2021, 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, 2022 and 2021, and the results of their operations and their 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 29, 2022

Consolidated Financial Statements

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

Consolidated Balance Sheets

March 31,		2022		2021
Assets				
Current				
Cash and cash equivalents	$	**144,500**	$	115,621
Accounts receivable, net		**4,799,548**		5,034,487
Inventories, net		**15,865,632**		12,706,102
Income tax receivable		**120,000**		-
Prepaid expenses and other current assets		**1,292,416**		348,086
Total Current Assets		**22,222,096**		18,204,296
Property and Equipment, Net		**1,369,076**		1,725,178
Other Assets				
Intangible assets, net		**1,265,603**		1,517,756
Goodwill, net		**496,587**		562,798
Deferred tax asset		**-**		963,463
Deposits		**1,390**		27,070
Total Other Assets		**1,763,580**		3,071,087
	$	**25,354,752**	$	23,000,561
Liabilities and Stockholder's Equity				
Current Liabilities				
Accounts payable	$	**1,350,161**	$	1,311,696
Accrued expenses		**1,999,167**		1,795,641
Related party payables		**4,110,622**		3,262,589
Income tax payable		**-**		118,712
Line of credit		**9,300,000**		4,900,000
Total Current Liabilities		**16,759,950**		11,388,638
Commitments and Contingencies (Note 11)				
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		**(11,527,662)**		(8,510,541)
Total Stockholder's Equity		**8,594,802**		11,611,923
	$	**25,354,752**	$	23,000,561

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,		**2022**		2021
Revenues				
Product sales	$	**33,354,125**	$	25,999,916
Other revenues		**514,480**		593,320
Total Revenues		**33,868,605**		26,593,236
Cost of Sales		**26,218,996**		18,432,640
Gross Profit		**7,649,609**		8,160,596
Selling, General, and Administrative Expenses				
Salaries and wages		**3,580,146**		3,522,887
Insurance		**997,860**		810,092
Royalties and external commissions		**40,346**		39,754
Depreciation		**359,887**		433,064
Professional fees		**1,581,443**		1,034,200
Gas		**451,230**		452,547
Travel expenses		**193,767**		94,746
Employee commissions		**-**		36,000
Repairs and maintenance		**257,390**		319,490
Amortization		**283,043**		315,325
Payroll taxes		**234,650**		233,548
Utilities		**183,242**		194,713
Supplies		**211,978**		198,046
Promotional events		**90,475**		24,944
Employee benefits		**127,892**		119,282
Taxes and licenses		**74,179**		67,472
Miscellaneous		**79,612**		56,959
Outside labor		**18,964**		174,645
Telephone		**50,955**		49,471
Advertising and marketing		**2,278,027**		829,486
Meals and entertainment		**41,663**		23,432
Internet and computer services		**59,749**		55,604
Samples		**116,008**		54,850
Rent		**193,578**		268,760
Uniforms		**50,062**		40,023
Dues and subscriptions		**89,386**		90,681
Postage and freight		**81,173**		57,462
Bank charges		**68,701**		68,900
Data processing		**15,358**		13,304
Loss on disposal of property and equipment		**(2,000)**		138,499
Safety		**1,998**		6,696
Provision for doubtful accounts		**23,221**		-
Impairment of intangible assets		**38,125**		71,449
Less: applied production costs		**(2,446,632)**		(2,733,303)
Total Selling, General, and Administrative Expenses		**9,425,476**		7,163,028
Research and Development Expenses		**37,165**		7,433
Operating Income (Loss)		**1,813,032**		990,135
Other Expense				
Interest expense, net		**(236,088)**		(123,609)
Other expense, net		**(4,538)**		(2,753)
Total Other Expense, Net		**(240,626)**		(126,362)
Net Income (Loss), before income taxes		**(2,053,658)**		863,773
Income Tax Expense		**(963,463)**		(167,502)
Net Income (Loss)	$	**3,017,121**	$	696,271

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, 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
Net loss				(3,017,121)	(3,017,121)
Balance, March 31, 2022	1,027	$ 1,027	$ 20,121,437	$ (11,527,662)	$ 8,594,802

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,	**2022**	2021
Cash Flows from Operating Activities		
Net income (loss)	**$ (3,017,121)**	$ 696,271
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	**642,930**	748,389
(Gain) loss on disposal of property and equipment	**(2,000)**	138,499
Provision for doubtful accounts	**23,221**	-
Impairment of intangible assets	**38,125**	71,449
Loss on write off of obsolete inventory	**95,409**	104,567
Deferred income taxes	**963,463**	(79,210)
Changes in operating assets and liabilities:		
Accounts receivable	**211,719**	619,596
Inventories	**(3,254,939)**	(3,775,245)
Prepaid expenses and other current assets	**(944,331)**	771,443
Deposits	**25,680**	-
Accounts payable	**38,465**	268,087
Accrued expenses	**203,526**	261,431
Related party receivables/payables, net	**848,033**	1,910,128
Income tax payable/receivable	**(238,712)**	118,712
Net Cash Provided by (Used in) Operating Activities	**(4,366,532)**	1,854,117
Cash Flows from Investing Activities		
Purchase of property and equipment	**(1,785)**	(451,820)
Purchase of intangible assets	**(2,804)**	(6,217)
Net Cash Used in Investing Activities	**(4,589)**	(458,037)
Cash Flows from Financing Activities		
Net repayments from parent	**-**	(134,481)
Borrowings under line of credit	**13,950,000**	9,650,000
Repayments under line of credit	**(9,550,000)**	(10,890,000)
Net Cash Provided by (Used in) Financing Activities	**4,400,000**	(1,374,841)
Net Increase in Cash and Cash Equivalents	**28,879**	21,239
Cash and Cash Equivalents, beginning of year	**115,621**	94,382
Cash and Cash Equivalents, end of year	**$ 144,500**	$ 115,621
Supplemental Disclosures of Cash Flow Information		
Interest paid	**$ 242,246**	$ 126,874
Taxes paid	**120,000**	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. The Company is a wholly owned subsidiary of E.I.D. Parry (India), Ltd. (the Parent). 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.

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.

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, 2022 and 2021, the Company has recorded an allowance for doubtful accounts of approximately $43,000 and $4,000, respectively.

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 six 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, 2022 and 2021.

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 patents of $38,125 and $71,499 during the years ended March 31, 2022 and 2021, 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 performance obligations under the terms of a contract with a customer are satisfied. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring goods. 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.

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 $495,000 and $374,000 in advertising expenses for the years ended March 31, 2022 and 2021, 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 U.S. GAAP 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 Financial Accounting Standards Board (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. Early adoption is permitted. 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, *Leases*, was issued in June 2018, which 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, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities* that allows entities to elect to postpone adoption until fiscal years beginning after December 15, 2021. Management is currently evaluating the impact of Topic 842 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.

3. Inventories

Inventories consist of the following:

March 31,	**2022**	2021
Raw materials	**$ 2,182,838**	$ 2,190,411
Work-in-process	**3,771,423**	2,533,712
Finished goods	**10,081,701**	8,138,870
Less: reserve for slow moving or obsolete inventory	**(170,330)**	(156,891)
	$ 15,865,632	$ 12,706,102

4. Property and Equipment, Net

Property and equipment, net consists of the following:

March 31,	**2022**	2021	Estimated Useful Life (Years)
Land and improvements	**$ 234,143**	$ 234,143	0-20
Building and improvements	**4,913,418**	4,913,419	7-20
Machinery and equipment	**4,771,200**	4,771,200	5-12
Furniture and fixtures	**273,073**	270,723	3-10
Vehicles	**-**	26,111	5
Construction-in-process	**271,327**	269,892	
	10,463,161	10,485,488	
Less: accumulated depreciation	**(9,094,085)**	(8,760,310)	
	$ 1,369,076	$ 1,725,178	

Depreciation expense was $359,887 and $433,064 for the years ended March 31, 2022 and 2021, respectively.

5. Goodwill and Other Intangibles

Goodwill

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

Year ended March 31,		**2022**		2021
Balance, beginning of year	**$**	**562,798**	$	629,009
Amortization expense		**(66,211)**		(66,211)
Balance, end of year	**$**	**496,587**	$	562,798

Future amortization of goodwill is as follows as of March 31, 2022:

Year ending March 31,		
2023	$	66,211
2024		66,211
2025		66,211
2026		66,211
2027		66,211
Thereafter		165,532
Total	$	496,587

Other intangible assets consist of the following:

March 31,		**2022**		2021	Estimated Useful Lives (Years)
Patents	**$**	**2,017,187**	$	2,085,029	10-20
Pending patents		**367,720**		367,276	-
Regulatory permitting costs		**142,302**		142,302	10-20
Trademarks		**352,547**		374,745	Indefinite
Tradename		**278,300**		278,300	6
		3,158,056		3,247,652	
Less: accumulated amortization		**(1,892,453)**		(1,729,896)	
	$	**1,265,603**	$	1,517,756	

Amortization expense of intangible assets was $216,832 and $249,114 for the years ended March 31, 2022 and 2021, respectively. Impairment of intangible assets was $38,125 and $71,449 for the years ended March 31, 2022 and 2021, respectively.

The Company will begin amortizing $367,720 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,		
2023	$	160,000
2024		148,000
2025		130,000
2026		80,000
2027		23,000
Thereafter		5,000
	$	546,000

6. Related Party Transactions

Related-Party Payables

Related-party payables consist of inventory purchases from the Company's 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 $4,110,000 at March 31, 2022 includes trade accounts payable for inventory purchases to the Company's Parent of approximately $1,760,000 and amounts owed to Alimtec S.A., an entity under common ownership with the Parent of approximately $2,350,000.

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.

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 and 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 in commission revenue under the Agreement for the year ended March 31, 2021, which is recorded as other revenues in the accompanying consolidated statements of operations.

Other Related Party Transactions

For the year ended March 31, 2022, the Company purchased product from the Company's Parent and Alimtec S.A. of approximately $5,350,000 and $2,738,000, respectively. Approximately 25% and 13%, respectively, of the Company's purchases for the year ended March 31, 2022 were from the Parent and Alimtec S.A.

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 the year ended March 31, 2021 were from the Parent and Alimtec S.A.

7. Lines of Credit

In August 2019, the Company obtained a revolving line of credit with a bank for maximum borrowings of $10,000,000. In November 2021, the line of credit was renewed and matures in August 2023. The line bears interest at the bank's prime rate less 1.18% (2.32% at March 31, 2022). 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, 2022 and 2021, the Company had $9,300,000 and $4,900,000, 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. In November 2021, the line of credit was increased to $5,500,000 and matures in August 2022. The line bears interest at the Secured Overnight Financing Rate (SOFR) plus 2.750% (3.02% at March 31, 2022). 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, 2022.

The lines of credit require compliance with certain financial covenants. At March 31, 2022, the Company was not in compliance with its tangible net worth and debt service coverage covenants. On April 22, 2022 the Company entered into a revolving line of credit with a new lender for maximum borrowings of $15,500,000. The new line matures in July 2023 and is secured by a standby letter of credit totaling $15,500,000. The line of credit does not require compliance with any financial covenants and will replace the previous line of credit which the Company was not incompliance with at March 31, 2022.

8. 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 15% of total revenues for the year ended March 31, 2022. The Company had one customer that accounted for approximately 26% of total revenues for the year ended March 31, 2021. The Company had three customers that accounted for 22%, 22%, and 10% of accounts receivable at March 31, 2022. The Company had four customers that accounted for 14%, 13%, 12%, and 10% of accounts receivable at March 31, 2021.

The Company purchases inventory in excess of 10% of total purchases from its Parent and Alimtec P.A., as discussed in Note 6.

9. 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 $40,000 and $28,000 for the years ended March 31, 2022 and 2021, respectively, and is included in royalties and external commissions' expense on the consolidated statements of operations.

10. 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, 2022 and 2021, the Company made approximately $90,000 and $45,000, respectively, in employer matching contributions which are included in employee benefits on the accompanying consolidated statements of operations.

11. Commitments and 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.

12. Income Taxes

Income tax benefit (expense) consists of the following:

Year ended March 31,		**2022**		2021
Current				
Federal	**$**	**-**	$	(197,270)
State		**-**		(49,441)
		-		(246,711)
Deferred				
Federal		**(810,931)**		66,669
State		**(152,532)**		12,540
		(963,463)		79,209
Total Income Tax Benefit (Expense)	**$**	**(963,463)**	$	(167,502)

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,	**2022**	2021
Depreciation on property and equipment	**$ 328,287**	$ 264,100
Loss on disposal of property and equipment	**(13,517)**	-
Amortization of intangible assets	**96,971**	70,762
Accounts receivable allowance	**10,771**	942
Inventory reserve	**42,497**	39,144
Accrued salaries and wages	**237,072**	287,897
Accrued expenses	**164,634**	71,054
Patent pending reserve	**139,922**	139,922
Loss on LaBelle	**44,793**	44,793
UNICAP	**40,697**	31,216
Income from partnership	**13,633**	13,633
Operating loss carryforward	**432,408**	-
	$ 1,538,168	$ 963,463

As of March 31, 2022 and 2021, the Company had federal net operating losses (NOL) of $1,733,104 and $0, respectively. The federal NOL after the year ended December 31, 2017 of $1,733,104 will not expire. A full valuation allowance was established against the Company's deferred tax assets. The valuation increased by $1,538,168 and $0 during the years ended March 31, 2022 and 2021, respectively.

13. Subsequent Events

The Company has evaluated events and transactions occurring subsequent to March 31, 2022 as of April 29, 2022, which is the date the consolidated financial statements were available to be issued. Subsequent events occurring after April 29, 2022 have not been evaluated by management. No material events have occurred since March 31, 2022 that require recognition or disclosure in the consolidated financial statements, except as follows:

The Company entered into a line of credit on April 22, 2022 (see Note 7).