



June 22, 2016

Red Bay Coffee, LLC
3098 East Tenth Street
Oakland, CA 94601
Attn: Keba Konte

Dear Mr. Konte,

Per your request, I am outlining the general accounting principles related to revenue and expense recognition and balance sheet presentation for Red Bay Coffee LLC for the year ended December 31, 2015.

- Red Bay Coffee LLC recognized revenue and expenses on the accrual basis of accounting.
- Inventory is valued at the lower of cost or market using the first in first out (FIFO) method.
- There is accrued equity due from the majority member (Keba Konte) of \$20,000.
- All Kickstarter proceeds are non-interest bearing short term liabilities.
- All long term debt and convertible long term debt are separately stated on the balance sheet.

Let me know if you have any questions.

A handwritten signature in black ink that reads "Charles T. Frisbie".

Charles T. Frisbie, CPA

Red Bay Coffee
Profit and Loss
 January - December 2015

	<u>Total</u>
Income	
Kickstarter Revenue	64,788.00
PayPal Income	476.50
Refund	320.20
Sales	404,002.82
Sales of Product Income	128.28
Square Income	8,589.45
Total Income	\$ 478,305.25
Cost of Goods Sold	
Coffee	171,896.49
Cost of Goods Sold	911.63
Freight Costs	769.29
Inventory Shrinkage	0.00
KickStarter - COGS	-850.00
Merchandise	274.60
Research	247.35
Roasting	43,850.37
Roasting Supplies	234.67
Supplies	18,913.99
Total Cost of Goods Sold	\$ 236,248.39
Gross Profit	\$ 242,056.86
Expenses	
Advertising and Promotion	3,135.00
Auto and Truck Expenses	184.59
Fuel	1,108.83
Insurance	1,027.29
Parking and Tolls	433.49
Repairs and Maintenance	1,930.42
Total Auto and Truck Expenses	\$ 4,684.62
Bank Service Charges	1,656.79
Business License and Permits	912.65
Donations	50.00
Employee Benefits	133.00
Guaranteed Payment	43,548.58
Insurance Expense	3,558.66
Interest Expense	3,427.31
Marketing	1,000.00
Materials	6,951.84
Meals and Entertainment	3,803.09
Office Expense	3,452.93
Office Supplies	273.25
PayPal Fees	89.78
PayPal Website Fee	150.00
Payroll Expenses	
Employee Taxes	868.69

Unaudited Financials

Employee Medicare	158.94
Employee Social Security	679.62
Federal Income Tax	1,367.80
Total Employee Taxes	\$ 3,075.05
Employer Taxes	10,715.36
Employer Social Security	679.62
Federal Unemployment Tax	21.23
Medicare	158.94
Total Employer Taxes	\$ 11,575.15
Payroll Fees	368.00
Payroll Salary	42,112.94
Reimbursements	7,927.18
Total Payroll Expenses	\$ 65,058.32
Postage and Delivery	3,048.40
Printing and Reproduction	784.02
Professional Fees	585.00
Consulting	15,530.50
Legal	6,006.30
Outside Services	124,227.71
Website	2,890.53
Total Professional Fees	\$ 149,240.04
Rent Expense	22,028.41
Repairs and Maintenance	2,636.54
Small Equipment	12,363.02
Square Fees	4,267.73
State Taxes	145.25
State Disability Insurance	98.67
State Employment Training Tax	3.54
State Taxes	419.40
State Unemployment Tax	120.30
Total State Taxes	\$ 787.16
Supplies & Materials	9,545.18
Travel Expense	5,624.03
Unapplied Cash Bill Payment Expense	25.00
Uncategorized Expense	2,220.24
Utilities	724.31
Zoning Fees	56.00
Total Expenses	\$ 355,235.90
Net Operating Income	-\$ 113,179.04
Other Income	
Microdeposit	3.61
Total Other Income	\$ 3.61
Other Expenses	
Ask My Accountant	30,254.45
Other Expenses	1,695.96
Total Other Expenses	\$ 31,950.41
Net Other Income	-\$ 31,946.80
Net Income	-\$ 145,125.84

Unaudited Financials

Monday, Mar 14, 2016 10:37:55 AM PDT GMT-7 - Accrual Basis

Red Bay Coffee
Balance Sheet
As of December 31, 2015

	Total
ASSETS	
Current Assets	
Bank Accounts	
Chase 3095	15,273.89
PayPal Bank	976.19
Petty Cash/Red Bay Register	373.73
Savings	340,003.61
Total Bank Accounts	\$356,627.42
Accounts Receivable	
Accounts Receivable	16,694.69
Total Accounts Receivable	\$16,694.69
Other current assets	
Inventory Asset	0.00
Loan to Family	5,000.00
Loan to Partners-Keba	27,500.00
Loans to Chasing Lions	5,000.00
Undeposited Funds	18,959.28
Total Other current assets	\$56,459.28
Total Current Assets	\$429,781.39
Fixed Assets	
Auto (Ford Van)	1,183.02
Automobile (Toyota)	7,500.00
Container	30,578.00
Delivery Bike	2,500.00
Equipment	51,852.01
Furniture	4,983.86
Lease Hold Improvements	
Lease Hold Improvements-Origina	1,718.50
Total Lease Hold Improvements	1,718.50
Total Fixed Assets	\$100,315.39
Other Assets	

Loan Fees	6,000.00
Pre Pay Rent	5,000.00
Security Deposit	10,950.00
Total Other Assets	\$21,950.00
TOTAL ASSETS	\$552,046.78
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable	31,325.79
Total Accounts Payable	\$31,325.79
Other Current Liabilities	
Business Loans	
Square Capital	1,675.44
Total Business Loans	1,675.44
Kickstarter Liabilities	
Penrose Restaurant	4,300.00
Signature Development	9,850.00
Total Kickstarter Liabilities	14,150.00
Payroll Liabilities	0.00
Payroll Suspense	0.00
Square Capital Advance	0.00
Square Tips	19.55
Wearhaus	2,516.67
Total Other Current Liabilities	\$18,361.66
Total Current Liabilities	\$49,687.45
Long-Term Liabilities	
Long Term Liability Loans	
Akonadi Funding	100,000.00
FGJ Funding	298,666.72
PCV Funding	200,000.00
Total Long Term Liability Loans	623,666.72
Total Long-Term Liabilities	\$623,666.72
Total Liabilities	\$673,354.17

Equity	
Capital - Konte	
Contributions	29.23
Distributions/Withdrawals	-2,975.02
Total Capital - Konte	-2,945.79
Equity Investments	20,000.00
Opening Balance Equity	3,051.63
Retained Earnings	-16,780.89
Net Income	-124,632.34
Total Equity	\$ -121,307.39
TOTAL LIABILITIES AND EQUITY	\$552,046.78

Monday, Feb 01, 2016 04:29:21 PM PST GMT-8 - Accrual Basis

This report was created using QuickBooks Online Plus.