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# **SMARTSODA HOLDINGS, INC.**

## **FINANCIAL STATEMENTS** **YEARS ENDED DECEMBER 31, 2019 AND 2018** *(Unaudited)*

*(Expressed in United States Dollars)*

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## INDEX TO FINANCIAL STATEMENTS

(UNAUDITED)

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## **INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

To the Board of Directors of  
SmartSoda Holdings, Inc.  
Beachwood, Ohio

We have reviewed the accompanying financial statements of SmartSoda Holdings, Inc. (the "Company"), which comprise the balance sheet as of December 31, 2019, and the related statement of operations, statement of shareholders' equity (deficit), and cash flows for the year ending December 31, 2019 and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

### **Accountant's Responsibility**

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountant's Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

*Set Apart FS*

April 29, 2020  
Los Angeles, California

**SMARTSODA HOLDINGS, INC.****BALANCE SHEET****(UNAUDITED)**

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<b>As of December 31,</b>	<b>2019</b>
(USD \$ in Dollars)	
<b>ASSETS</b>	
Current Assets:	
Cash, cash equivalents & restricted cash	\$ 25,710
Accounts receivable	160,770
Inventory	12,770
<b>Total current assets</b>	<b>199,250</b>
Property and equipment, net	5,609
<b>Total assets</b>	<b>\$ 204,859</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>	
Current Liabilities:	
Accounts payable	\$ 2,250
Other current liabilities	15,407
<b>Total current liabilities</b>	<b>17,657</b>
Deferred tax liability	2,403
<b>Total liabilities</b>	<b>20,060</b>
<b>STOCKHOLDERS' EQUITY</b>	
Common Stock	2,043
Additional Paid in Capital	179,677
Equity issuance costs	(4,609)
Retained earnings/(Accumulated Deficit)	7,688
<b>Total stockholders' equity</b>	<b>184,799</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 204,859</b>

*See accompanying notes to financial statements.*

**SMARTSODA HOLDINGS, INC.**  
**STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**

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<b>For Fiscal Year Ended December 31,</b>	<b>2019</b>
(USD \$ in Dollars)	
Net revenue	\$ 334,032
Cost of goods sold	90,087
Gross profit	243,945
Operating expenses	
General and administrative	195,133
Sales and marketing	39,022
Total operating expenses	234,155
Operating income/(loss)	9,790
Interest Income	(301)
Income/(Loss) before provision for income taxes	10,091
Provision/(Benefit) for income taxes	2,403
<b>Net income/(Net Loss)</b>	<b>\$ 7,688</b>

*See accompanying notes to financial statements.*

**SMARTSODA HOLDINGS, INC.**  
**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**(UNAUDITED)**

For Fiscal Year Ended December 31, 2019

(in thousands, \$US)	Common Stock Class A		Preferred Stock		Additional Paid in Capital	Equity Issuance Costs	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
<b>Inception—February 15, 2019</b>		\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -
Issuance of founders' shares	20,429,000	2,043	-	-	-	-	-	2,043
Contribution	-	-	-	-	179,677	-	-	179,677
Equity issuance costs	-	-	-	-	-	(4,609)	-	(4,609)
Net income/(loss)	-	-	-	-	-	-	7,688	7,688
<b>Balance—December 31, 2019</b>	<b>20,429,000</b>	<b>\$ 2,043</b>	<b>-</b>	<b>\$ -</b>	<b>\$ 179,677</b>	<b>\$(4,609)</b>	<b>\$ 7,688</b>	<b>\$ 184,799</b>

*See accompanying notes to financial statements.*

**SMARTSODA HOLDINGS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

<b>For Fiscal Year Ended December 31,</b>	<b>2019</b>
(USD \$ in Dollars)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
Net income/(loss)	\$ 7,688
Depreciation	725
Deferred tax provision	2,403
<i>Adjustments to reconcile net income to net cash provided/(used) by operating activities:</i>	
Changes in operating assets and liabilities:	
Accounts receivable	(160,770)
Inventory	(12,770)
Accounts payable	2,250
Other current liabilities	15,407
<b>Net cash provided/(used) by operating activities</b>	<b>(145,067)</b>
<b>Net cash provided/(used) in investing activities</b>	
Purchase of Property and Equipment	<b>(6,334)</b>
<b>Net cash provided/(used) in investing activities</b>	<b>(6,334)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	
Issuance of common stock	2,043
Equity issuance costs	(4,609)
Proceeds from issuance of common shares	179,677
<b>Net cash provided/(used) by financing activities</b>	<b>177,111</b>
Change in cash	25,710
Cash, cash equivalents, and restricted cash—beginning of year	-
<b>Cash, cash equivalents, and restricted cash—end of year</b>	<b>\$ 25,710</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>	
Cash paid during the year for interest	\$ -
Cash paid during the year for income taxes	\$ -
<b>OTHER NONCASH INVESTING AND FINANCING ACTIVITIES AND SUPPLEMENTAL DISCLOSURES</b>	
Purchase of property and equipment not yet paid for	\$ -
Conversion of debt into equity	\$ -

*See accompanying notes to financial statements.*

**SMARTSODA HOLDINGS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR YEARS ENDED TO DECEMBER 31, 2019 AND DECEMBER 31, 2018**

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*All amounts in these Notes are expressed in thousands of United States dollars ("\$" or "US\$"), unless otherwise indicated.*

## **1. SUMMARY**

SmartSoda Holdings, Inc. was formed on February 15, 2019 ("Inception") in the State of Delaware. The financial statements of SmartSoda Holdings, Inc., (which may be referred to as the "Company", "we," "us," or "our") are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Company's headquarters are located in Beachwood, OH.

Smart Soda is an elite healthy beverage provider, offering a unique platform that provides both commercial and individual customers access to unlimited alkaline water, including vitamin-infused flavored sparkling alkaline waters, and sodas. All flavored waters and sodas are made with only organic cane sugar (or zero sugar) that are 100% natural, vegan, kosher, antioxidant rich, gluten free and can be CBD infused.

Smart Soda's exclusive rent-to-own program allows commercial customers to serve their patrons the industry's premier beverage options. Our all-in-one, all-inclusive solution, which brings together market-leading waters and sodas, financing, and service, our customers can streamline processes while they generate additional revenue locally bottling and selling water and soda drawn from their machine. And with zero upfront investment, our program allows them to show positive ROI from day one.

In 2020 we plan to expand our brand and launch a pre-packaged, ready-to-drink product line, with a goal to be on major retail shelves within the year.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **Use of Estimates**

The preparation of financial statements in conformity with United States GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Cash, Cash Equivalents, and Restricted Cash**

Cash and cash equivalents include all cash in banks. The Company's cash is deposited in demand accounts at financial institutions that management believes are creditworthy. Restricted cash includes cash included in escrow accounts.

### **Account Receivables**

Accounts receivable are carried at their estimated collectible amounts. Accounts receivable are periodically evaluated for collectability based on past credit history with clients and other factors. Provisions for losses on accounts receivable are determined on the basis of loss experience, known and inherent risk in the account balance, and current economic conditions. As of December 31, 2019, the company had \$160,770 in account receivables and no allowance for doubtful accounts against such.



**SMARTSODA HOLDINGS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (UNAUDITED)**  
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**Inventory**

Inventories consist primarily of consist primarily of finished goods smart sodas and water dispensers. Inventories are recorded using a combination of FIFO and average method. As of December 31, 2019, the company carries total inventory in the amount of \$12,770.

**Impairment of Long-lived Assets**

Long-lived assets, such as property and equipment and identifiable intangibles with finite useful lives, are periodically evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We look for indicators of a trigger event for asset impairment and pay special attention to any adverse change in the extent or manner in which the asset is being used or in its physical condition. Assets are grouped and evaluated for impairment at the lowest level of which there are identifiable cash flows, which is generally at a location level. Assets are reviewed using factors including, but not limited to, our future operating plans and projected cash flows. The determination of whether impairment has occurred is based on an estimate of undiscounted future cash flows directly related to the assets, compared to the carrying value of the assets. If the sum of the undiscounted future cash flows of the assets does not exceed the carrying value of the assets, full or partial impairment may exist. If the asset carrying amount exceeds its fair value, an impairment charge is recognized in the amount by which the carrying amount exceeds the fair value of the asset. Fair value is determined using an income approach, which requires discounting the estimated future cash flows associated with the asset.

**Income Taxes**

SmartSoda Holdings, Inc. is a C corporation for income tax purposes. The Company accounts for income taxes under the liability method, and deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying values of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. A valuation allowance is provided on deferred tax assets if it is determined that it is more likely than not that the deferred tax asset will not be realized. The Company records interest, net of any applicable related income tax benefit, on potential income tax contingencies as a component of income tax expense. The Company records tax positions taken or expected to be taken in a tax return based upon the amount that is more likely than not to be realized or paid, including in connection with the resolution of any related appeals or other legal processes. Accordingly, the Company recognizes liabilities for certain unrecognized tax benefits based on the amounts that are more likely than not to be settled with the relevant taxing authority. The Company recognizes interest and/or penalties related to unrecognized tax benefits as a component of income tax expense. The Company is subject to tax in the United States ("U.S.") and files tax returns in the U.S. Federal jurisdiction and California state jurisdiction. The Company is subject to U.S. Federal, state and local income tax examinations by tax authorities for all periods since Inception. The Company currently is not under examination by any tax authority.

**Revenue Recognition**

The Company will recognize revenues from the sale of our products when (a) persuasive evidence that an agreement exists; (b) the service has been performed; (c) the prices are fixed and determinable and not subject to refund or adjustment; and (d) collection of the amounts due is reasonably assured.

**Fair Value of Financial Instruments**

**SMARTSODA HOLDINGS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (UNAUDITED)**  
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The carrying value of the Company's financial instruments included in current assets and current liabilities (such as cash and cash equivalents, restricted cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate fair value due to the short-term nature of such instruments.

The inputs used to measure fair value are based on a hierarchy that prioritizes observable and unobservable inputs used in valuation techniques. These levels, in order of highest to lowest priority, are described below:

**Level 1**—Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities.

**Level 2**—Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.

**Level 3**—Unobservable inputs reflecting the Company's assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

**Subsequent Events**

The Company considers events or transactions that occur after the balance sheets date, but prior to the issuance of the financial statements to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. Subsequent events have been evaluated through April 29, 2020, which is the date the financial statements were issued.

**Recently Issued and Adopted Accounting Pronouncements**

In February 2019, FASB issued ASU No. 2019-02, Leases, that requires organizations that lease assets, referred to as "lessees", to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases with lease terms of more than 12 months. ASU 2019-02 will also require disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases and will include qualitative and quantitative requirements. The new standard for nonpublic entities will be effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020, and early application is permitted. We are currently evaluating the effect that the updated standard will have on the financial statements and related disclosures.

In June 2019, FASB amended ASU No. 2019-07, Compensation – Stock Compensation, to expand the scope of Topic 718, Compensation – Stock Compensation, to include share-based payment transactions for acquiring goods and services from nonemployees. The new standard for nonpublic entities will be effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020, and early application is permitted. We are currently evaluating the effect that the updated standard will have on the financial statements and related disclosures.

In August 2019, amendments to existing accounting guidance were issued through Accounting Standards Update 2019-15 to clarify the accounting for implementation costs for cloud computing arrangements. The amendments specify that existing guidance for capitalizing implementation costs incurred to develop or obtain internal-use software also applies to implementation costs incurred in a hosting arrangement that is a service contract. The guidance is effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years

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beginning after December 15, 2021, and early application is permitted. We are currently evaluating the effect that the updated standard will have on the financial statements and related disclosures.

The FASB issues ASUs to amend the authoritative literature in ASC. There have been a number of ASUs to date, including those above, that amend the original text of ASC. Management believes that those issued to date either (i) provide supplemental guidance, (ii) are technical corrections, (iii) are not applicable to us or (iv) are not expected to have a significant impact on our financial statements.

### **3. DETAILS OF CERTAIN ASSETS AND LIABILITIES**

Other current liabilities consist of the following items:

<b>As of Year Ended December 31,</b>	<b>2019</b>
<b>Other current liabilities consist of:</b>	
Direct Deposit Payable	\$ 4,722
Payroll Liabilities	10,684
<b>Total other current liabilities</b>	<b>\$ 15,407</b>

### **4. CAPITALIZATION AND EQUITY TRANSACTIONS**

#### **Common Stock**

We have authorized the issuance of 250,000,000, shares of our common stock with par value of \$0.0001. As of December 31, 2019, 20,429,000 shares of common stock are issued and outstanding for a value of \$2,043.

#### **Preferred Stock**

We have authorized the issuance of 5,000,000, shares of our preferred stock with par value of \$0.0001. As of December 31, 2019, no preferred shares have been issued and outstanding.

### **5. DEBT**

The company has no debt as of December 31, 2019.

**SMARTSODA HOLDINGS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (UNAUDITED)**  
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**6. INCOME TAXES**

The provision for income taxes for the year ended December 31, 2019 consists of the following:

As of Year Ended December 31,	2019	2018
<b>Current Tax Provision:</b>		
Federal	\$ -	\$ -
State	-	-
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Deferred Tax Provision:</b>		
Federal	\$ 2,403	\$ -
State	-	-
<b>Total</b>	<b>\$ 2,403</b>	<b>\$ -</b>
Valuation Allowance	-	-
<b>Total provision for income taxes</b>	<b>\$ 2,403</b>	<b>\$ -</b>

Significant components of the Company's permanent book to tax differences at December 31, 2019, and December 31, 2018 are as follows:

As of Year Ended December 31,	2019	2018
Meals	\$ 1,352	\$ -
<b>Total permanent differences</b>	<b>\$ 1,352</b>	<b>\$ -</b>

There were no deferred tax assets/liabilities as of December 31, 2019:

The following is the reconciliation of statutory to effective tax rate for fiscal year ended December 31, 2019:

As of Year Ended December 31,	2019	%	2018	%
Income tax at federal statutory rate	\$ 2,119	21%	\$ -	0%
State taxes, net of federal benefit	-	0%	-	0%
Permanent Difference - meals	284	3%	-	0%
Operating Accruals	(30,054)	-298%	-	0%
Property	(1,026)	-10%	-	0%
Net operating loss	31,080	308%	-	0%
<b>Income tax provision (benefit)</b>	<b>\$ 2,403</b>	<b>24%</b>	<b>\$ -</b>	<b>0%</b>

The Company recognizes interest and penalties related to income tax matters in income tax expense. As of December 31, 2019, the Company had no accrued interest and penalties related to uncertain tax positions.

The Company is subject to examination for its US federal and state jurisdictions for each year in which a tax return was filed.

SMARTSODA HOLDINGS, INC.  
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)  
FOR YEARS ENDED TO DECEMBER 31, 2019 AND DECEMBER 31, 2018

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**7. RELATED PARTY**

There are currently no related party transactions

**8. COMMITMENTS AND CONTINGENCIES**

**Operating Leases**

The Company did not enter into any operating leases as of December 31, 2019.

**Contingencies**

The Company's operations are subject to a variety of local and state regulation. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Company ceasing operations.

**Litigation and Claims**

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. As of December 31, 2019, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations.

**9. SUBSEQUENT EVENTS**

The Company has evaluated subsequent events through April 29, 2020, the date the financial statements were available to be issued.

The company will continue to raise money through its Crowdfunding ("Reg CF") campaign on StartEngine, LLC.

There have been no other events or transactions during this time which would have a material effect on these financial statements.