# Felt and Fat LLC, a Pennsylvania Company

## Financial Statements

For The Year Ended December 31, 2024

(***Unaudited***)

# FELT AND FAT

## Balance Sheet

As of December 31, 2024

| | TOTAL |
|---|---|
| ASSETS | |
| Current Assets | |
| Bank Accounts | |
| 111100 CITIZENS BUSINESS CHECKING -7796 | 66,733.87 |
| 111200 CITIZENS BUSINESS CHECKING -2308 | 0.00 |
| 111300 PNC BUSINESS CHECKING | 1,597.28 |
| 112100 MERCHANT ACCOUNT - PAYPAL | 0.00 |
| 113000 CITIZENS INTEREST RESERVE | 0.00 |
| **Total Bank Accounts** | **$68,331.15** |
| Accounts Receivable | |
| 120000 ACCOUNTS RECEIVABLE | 148,803.13 |
| **Total Accounts Receivable** | **$148,803.13** |
| Other Current Assets | |
| 130000 UNDEPOSITED FUNDS | 0.00 |
| 131000 STRIPE/ONLINE RECEIVABLE | 13,289.04 |
| 131350 CANAL RECEIVABLE | 747.13 |
| 131500 SHOPIFY INSTALLMENT RECEIVABLE | 17,655.45 |
| 132000 BUILDING DEPOSIT | 43,333.34 |
| 133000 PREPAID EXPENSES | 6,849.20 |
| 140000 INVENTORY | 0.00 |
| 141000 INVENTORY - RAW MATERIALS | 28,309.00 |
| 142000 INVENTORY - FINISHED GOODS | 14,880.01 |
| 144000 INVENTORY - BISQUEWARE | 0.00 |
| **Total 140000 INVENTORY** | **43,189.01** |
| 150000 INVESTMENT - CRYPTOCURRENCY | 0.00 |
| 151000 ACCRUED REVENUE | 0.00 |
| Inventory Asset | 0.00 |
| **Total Other Current Assets** | **$125,063.17** |
| **Total Current Assets** | **$342,197.45** |
| Fixed Assets | |
| 172000 MACHINERY & EQUIPMENT | 1,367,573.18 |
| 173000 ACCUMULATED DEPRECIATION | -719,276.47 |
| 174000 FURNITURE & FIXTURES | 3,620.52 |
| 175000 EQUIPMENT DOWN PAYMENT (not in use) | 198,372.75 |
| 176000 LEASEHOLD IMPROVEMENTS | 115,884.58 |
| 192000 INVESTMENT IN PROPERTY | 11,280.39 |
| **Total Fixed Assets** | **$977,454.95** |

# FELT AND FAT

## Balance Sheet

As of December 31, 2024

| | TOTAL |
|---|---|
| Other Assets | |
| 191000 GOODWILL - 754 STEP-UP | 34,793.61 |
| 191900 ACCUMULATED AMORTIZATION | -13,296.55 |
| Prepaid Sales Tax | 208.35 |
| **Total Other Assets** | **$21,705.41** |
| **TOTAL ASSETS** | **$1,341,357.81** |
| LIABILITIES AND EQUITY | |
| Liabilities | |
| Current Liabilities | |
| Accounts Payable | |
| 210000 ACCOUNTS PAYABLE | 314,290.90 |
| **Total Accounts Payable** | **$314,290.90** |
| Credit Cards | |
| 221000 CAPITAL ONE VENTURE CARD | 0.00 |
| 221001 Chase Ink Credit Card | 906.55 |
| 222001 Chase Card - Nate Mell | 58,155.45 |
| 222002 Chase Card - Betti Wright | 65,530.34 |
| 222003 Chase Card - Madison Alpern | 0.00 |
| **Total 221001 Chase Ink Credit Card** | **124,592.34** |
| **Total Credit Cards** | **$124,592.34** |
| Other Current Liabilities | |
| 230000 GIFT CARD LIABILITY | 11,470.02 |
| 240000 PAYROLL LIABILITIES | 0.00 |
| 241000 ACCRUED EXPENSES | 9,573.41 |
| 242000 DEFERRED RENTS | 0.00 |
| 250000 SALES TAX LIABILITIES | 0.00 |
| 251000 SALES TAX LIABILITIES - PA | 4,279.85 |
| 252000 SALES TAX LIABILITIES - RI | 0.00 |
| **Total 250000 SALES TAX LIABILITIES** | **4,279.85** |
| 264000 CITIZENS LOC - 0059 | 82,771.00 |
| 264001 PNC LOC | 100,922.48 |
| 264002 WAYFLYER NOTE PAYABLE | 16,730.29 |
| 264003 DUE TO NATE | 39,800.00 |
| 264004 UNITED BANK BRIDGE LOAN | 151,200.01 |
| **Total Other Current Liabilities** | **$416,747.06** |
| **Total Current Liabilities** | **$855,630.30** |

# FELT AND FAT

## Balance Sheet

As of December 31, 2024

| | TOTAL |
|---|---|
| Long-Term Liabilities | |
| 260100 CITIZENS BANK SMALL BUS LOAN -0026 | 0.00 |
| 260200 CITIZENS BANK SMALL BUS LOC -0034 (PPP EMERGENCY COVID 19) | 0.00 |
| 260300 CITIZENS BANK SMALL BUS LOC -0059 | 0.00 |
| 260400 CITIZENS BANK SMALL BUS LOC -0067 | 0.00 |
| 260500 CITIZENS BANK LOC 0822 | 0.00 |
| 261000 PIDC LOAN - 14105-01-01 | 5,655.11 |
| 262000 PIDC LOAN - 14105-02-01 | 4,216.88 |
| 262100 PIDC LOAN - 14105-03-01 | 167,116.54 |
| 262500 PIDC LOAN - NMTC | 992,967.00 |
| 263000 SBA ECONOMIC INJURY DISASTER LOAN (EIDL) | 650,244.00 |
| 263500 CONVERTIBLE NOTE - JEFF KAHN | 50,000.00 |
| 263501 ACCRUED INTEREST - JEFF KAHN NOTE | 1,046.00 |
| **Total 263500 CONVERTIBLE NOTE - JEFF KAHN** | **51,046.00** |
| 263600 CONVERTIBLE NOTE - ELI KULP | 100,000.00 |
| 263601 ACCRUED INTEREST - ELI KULP NOTE | 1,708.00 |
| **Total 263600 CONVERTIBLE NOTE - ELI KULP** | **101,708.00** |
| 270000 BUYOUT - EDWIN BAUER | 0.00 |
| **Total Long-Term Liabilities** | **$1,972,953.53** |
| **Total Liabilities** | **$2,828,583.83** |
| Equity | |
| 310000 OPENING BALANCE EQUITY | 0.00 |
| 320000 OWNER'S EQUITY | |
| 321000 ALEXANDER CONNER EQUITY | 0.00 |
| 323000 JOEL EVY EQUITY | -54,938.21 |
| 324000 NATE MELL EQUITY | -586,372.59 |
| 325000 SCHULSON COLLECTIVE EQUITY | -393,390.70 |
| 326000 ELI KULP EQUITY | -131,249.23 |
| 327000 JEFF KAHN EQUITY | -132,650.24 |
| 327100 NILTON DUQUE EQUITY | -6,308.04 |
| 327200 KATHERINE E PAUL EQUITY | -1,402.01 |
| 327300 LAUREN MABRY EQUITY | -1,402.01 |
| **Total 320000 OWNER'S EQUITY** | **-1,307,713.03** |
| 330000 EQUITY CONTRIBUTIONS | |
| 331000 ALEX CONNER EQUITY CONTRIBUTIONS | 0.00 |
| 333000 JOEL EVY CONTRIBUTIONS | 0.00 |
| 334000 NATE MELL EQUITY CONTRIBUTIONS | 0.00 |
| 335000 SCHULSON COLLECTIVE CONTRIBUTIONS | 300,000.00 |
| 335100 ELI KULP CONTRIBUTIONS | 100,000.00 |
| 335200 JEFF KAHN CONTRIBUTIONS | 100,000.00 |
| **Total 330000 EQUITY CONTRIBUTIONS** | **500,000.00** |

# FELT AND FAT

## Balance Sheet

As of December 31, 2024

| | TOTAL |
|---|---|
| 340000 EQUITY DISTRIBUTIONS | |
| 341000 ALEX CONNER DISTRIBUTIONS | 0.00 |
| 343000 JOEL EVY DISTRIBUTIONS | 0.00 |
| 344000 NATE MELL DISTRIBUTIONS | 0.00 |
| 344100 NATE MELL PERSONAL EXPENSES | 0.00 |
| **Total 344000 NATE MELL DISTRIBUTIONS** | **0.00** |
| **Total 340000 EQUITY DISTRIBUTIONS** | **0.00** |
| 350000 RETAINED EARNINGS | 128,526.79 |
| Net Income | -808,039.78 |
| **Total Equity** | **$ -1,487,226.02** |
| **TOTAL LIABILITIES AND EQUITY** | **$1,341,357.81** |

# FELT AND FAT

## Profit and Loss

January - December 2024

| | TOTAL |
|---|---|
| Income | |
| 400000 SALES | |
| 410000 ONLINE + POP UP SALES | 1,534,488.77 |
| 420000 WHOLESALE HOSPITALITY | 374,157.90 |
| 421000 WHOLESALE SHOPS | 59,609.24 |
| 422000 WHOLESALE WHITELABEL | 49,686.00 |
| 440000 SHIPPING + DELIVERY INCOME | 102,579.19 |
| 441000 DAMAGE CLAIM REIMBURSEMENT | 6,931.05 |
| **Total 440000 SHIPPING + DELIVERY INCOME** | **109,510.24** |
| **Total 400000 SALES** | **2,127,452.15** |
| 470000 DISCOUNTS | -150,214.92 |
| Discounts given | -2,277.65 |
| Sales of Product Income | 0.00 |
| **Total Income** | **$1,974,959.58** |
| Cost of Goods Sold | |
| 500000 COST OF GOODS SOLD | 0.00 |
| 510000 SUPPLIES + MATERIALS | 87,793.51 |
| 530000 SHIPPING COSTS | 267,311.93 |
| **Total 500000 COST OF GOODS SOLD** | **355,105.44** |
| Inventory Shrinkage | 0.00 |
| **Total Cost of Goods Sold** | **$355,105.44** |
| GROSS PROFIT | **$1,619,854.14** |
| Expenses | |
| 600000 PERSONNEL EXPENSES | |
| 610000 WAGES - W2 | 1,038,604.90 |
| 611100 CONTRACTORS - 1099 | 20,333.18 |
| 611200 PAYROLL TAXES | 85,459.43 |
| 611300 BENEFITS | 51,791.34 |
| 612000 COMMISSIONS + FEES | 165.00 |
| **Total 600000 PERSONNEL EXPENSES** | **1,196,353.85** |
| 620000 OCCUPANCY EXPENSES | |
| 621000 RENT EXPENSES | 80,584.78 |
| 622000 UTILITIES | 10,703.10 |
| **Total 620000 OCCUPANCY EXPENSES** | **91,287.88** |
| 640000 OPERATING EXPENSES | |
| 624000 REPAIRS + MAINTENANCE | 9,978.65 |
| 641000 OFFICE SUPPLIES | 7,399.35 |
| 642000 SMALL TOOLS + EQUIPMENT | 29,416.79 |
| 642100 RESEARCH + DEVELOPMENT | 450.53 |

# FELT AND FAT

## Profit and Loss

January - December 2024

| | TOTAL |
|---|---|
| 644000 TELEPHONE + INTERNET | 442.89 |
| 644100 WEBSITE + HOSTING FEES | 142.11 |
| 646000 AUTO EXPENSES | 173.64 |
| 646500 MOVING EXPENSES | 57,945.96 |
| 647000 TRAVEL EXPENSES | 4,614.05 |
| 647100 TRAVEL MEALS | 841.91 |
| 648000 MEALS + ENTERTAINMENT | 9,625.29 |
| 648100 EVENT FEES | 6,330.00 |
| 649000 MISC. EXPENSES | 53.74 |
| **Total 640000 OPERATING EXPENSES** | **127,414.91** |
| 650000 ADMINISTRATIVE EXPENSES | |
| 651000 BANK FEES | 2,936.97 |
| 652000 MERCHANT FEES | 52,533.97 |
| 652100 MERCHANT FEES - QUICKBOOKS | 2,588.59 |
| 652200 MERCHANT FEES - STRIPE | 0.00 |
| 652400 MERCHANT FEES - CREDIT CARDS | 95.00 |
| **Total 652000 MERCHANT FEES** | **55,217.56** |
| 653000 PROFESSIONAL FEES | 103,940.00 |
| 653100 PROFESSIONAL FEES - ACCOUNTING | 33,000.00 |
| 653200 PROFESSIONAL FEES - PAYROLL | 6,556.40 |
| 653300 PROFESSIONAL FEES - LEGAL | 3,620.00 |
| 655000 INSURANCE | 33,922.00 |
| 656000 LICENSES + PERMITS | 1,000.00 |
| 657000 SOFTWARE + APPS | 86,142.04 |
| **Total 650000 ADMINISTRATIVE EXPENSES** | **326,334.97** |
| 660000 MARKETING EXPENSES | 500.00 |
| 661000 ADVERTISING | 1,900.00 |
| 662000 WEB + SOCIAL MEDIA | 348,953.08 |
| 663000 GRAPHIC DESIGN | 7,192.36 |
| **Total 660000 MARKETING EXPENSES** | **358,545.44** |
| Guaranteed Payments | 52,214.00 |
| **Total Expenses** | **$2,152,151.05** |
| NET OPERATING INCOME | **$ -532,296.91** |
| Other Income | |
| 700000 OTHER INCOME | |
| 710000 INTEREST INCOME | 1.18 |
| 740000 GRANT INCOME | 45,000.00 |
| **Total 700000 OTHER INCOME** | **45,001.18** |
| **Total Other Income** | **$45,001.18** |

# FELT AND FAT

## Profit and Loss

January - December 2024

| | TOTAL |
|---|---|
| Other Expenses | |
| 800000 OTHER EXPENSES | |
| 810000 INTEREST EXPENSE | 130,006.06 |
| 820000 TAXES PAID | 235.32 |
| 830000 OTHER MISC EXPENSES | 111.50 |
| **Total 800000 OTHER EXPENSES** | **130,352.88** |
| 920000 Amortization | 2,319.57 |
| 930000 DEPRECIATION | 187,345.33 |
| Reconciliation Discrepancies | 726.27 |
| **Total Other Expenses** | **$320,744.05** |
| NET OTHER INCOME | **$ -275,742.87** |
| NET INCOME | **$ -808,039.78** |

# FELT AND FAT

## Statement of Cash Flows

January - December 2024

| | TOTAL |
|---|---|
| OPERATING ACTIVITIES | |
| Net Income | -808,039.78 |
| Adjustments to reconcile Net Income to Net Cash provided by operations: | |
| 120000 ACCOUNTS RECEIVABLE | 17,370.51 |
| 131000 STRIPE/ONLINE RECEIVABLE | 366.67 |
| 131350 CANAL RECEIVABLE | 25,791.46 |
| 131500 SHOPIFY INSTALLMENT RECEIVABLE | -17,655.45 |
| 133000 PREPAID EXPENSES | 5,723.26 |
| 140000 INVENTORY | 0.00 |
| 141000 INVENTORY:INVENTORY - RAW MATERIALS | -25,805.09 |
| 142000 INVENTORY:INVENTORY - FINISHED GOODS | -13,823.90 |
| 144000 INVENTORY:INVENTORY - BISQUEWARE | 3,708.60 |
| Inventory Asset | 0.00 |
| 173000 ACCUMULATED DEPRECIATION | 187,345.33 |
| 191900 ACCUMULATED AMORTIZATION | 2,319.57 |
| 210000 ACCOUNTS PAYABLE | 294,145.06 |
| 221001 Chase Ink Credit Card | 906.55 |
| 222001 Chase Ink Credit Card:Chase Card - Nate Mell | -8,952.07 |
| 222002 Chase Ink Credit Card:Chase Card - Betti Wright | 38,976.93 |
| 222003 Chase Ink Credit Card:Chase Card - Madison Alpern | 0.00 |
| 230000 GIFT CARD LIABILITY | 3,617.53 |
| 240000 PAYROLL LIABILITIES | 0.05 |
| 241000 ACCRUED EXPENSES | -29,032.22 |
| 242000 DEFERRED RENTS | 0.00 |
| 250000 SALES TAX LIABILITIES | 0.00 |
| 251000 SALES TAX LIABILITIES:SALES TAX LIABILITIES - PA | 2,589.75 |
| 264000 CITIZENS LOC - 0059 | 82,771.00 |
| 264001 PNC LOC | 100,922.48 |
| 264002 WAYFLYER NOTE PAYABLE | 16,730.29 |
| 264003 DUE TO NATE | 39,800.00 |
| 264004 UNITED BANK BRIDGE LOAN | 151,200.01 |
| **Total Adjustments to reconcile Net Income to Net Cash provided by operations:** | **879,016.32** |
| **Net cash provided by operating activities** | **$70,976.54** |
| INVESTING ACTIVITIES | |
| 172000 MACHINERY & EQUIPMENT | -786,755.45 |
| 174000 FURNITURE & FIXTURES | -3,620.52 |
| 175000 EQUIPMENT DOWN PAYMENT (not in use) | 546,120.07 |
| 176000 LEASEHOLD IMPROVEMENTS | -115,884.58 |
| 192000 INVESTMENT IN PROPERTY | 878.18 |
| **Net cash provided by investing activities** | **$ -359,262.30** |
| FINANCING ACTIVITIES | |
| 260100 CITIZENS BANK SMALL BUS LOAN -0026 | 135.68 |
| 261000 PIDC LOAN - 14105-01-01 | -26,707.25 |
| 262000 PIDC LOAN - 14105-02-01 | -11,016.32 |

# FELT AND FAT

## Statement of Cash Flows

January - December 2024

| | TOTAL |
|---|---|
| 262100 PIDC LOAN - 14105-03-01 | -7,883.46 |
| 262500 PIDC LOAN - NMTC | 98,170.35 |
| 263000 SBA ECONOMIC INJURY DISASTER LOAN (EIDL) | -13,932.52 |
| 263500 CONVERTIBLE NOTE - JEFF KAHN | 50,000.00 |
| 263501 CONVERTIBLE NOTE - JEFF KAHN:ACCRUED INTEREST - JEFF KAHN NOTE | 1,046.00 |
| 263600 CONVERTIBLE NOTE - ELI KULP | 100,000.00 |
| 263601 CONVERTIBLE NOTE - ELI KULP:ACCRUED INTEREST - ELI KULP NOTE | 1,708.00 |
| 310000 OPENING BALANCE EQUITY | 0.00 |
| 323000 OWNER'S EQUITY:JOEL EVY EQUITY | -31,053.19 |
| 324000 OWNER'S EQUITY:NATE MELL EQUITY | -237,899.44 |
| 325000 OWNER'S EQUITY:SCHULSON COLLECTIVE EQUITY | -60,033.36 |
| 326000 OWNER'S EQUITY:ELI KULP EQUITY | -20,089.12 |
| 327000 OWNER'S EQUITY:JEFF KAHN EQUITY | -21,490.13 |
| 327100 OWNER'S EQUITY:NILTON DUQUE EQUITY | -6,308.04 |
| 327200 OWNER'S EQUITY:KATHERINE E PAUL EQUITY | -1,402.01 |
| 327300 OWNER'S EQUITY:LAUREN MABRY EQUITY | -1,402.01 |
| 344000 EQUITY DISTRIBUTIONS:NATE MELL DISTRIBUTIONS | 0.00 |
| 350000 RETAINED EARNINGS | 379,677.30 |
| **Net cash provided by financing activities** | **$191,520.48** |
| NET CASH INCREASE FOR PERIOD | **$ -96,765.28** |
| Cash at beginning of period | 165,096.43 |
| CASH AT END OF PERIOD | **$68,331.15** |

# Felt and Fat LLC

## Statements of Changes in Equity

(*Unaudited*)

| ($USD, in Dollars) | | Equity |
|---|---|---|
| **Balance—January 1, 2022** | **$** | **-** |
| Owner's Equity | | 291,232 |
| Retained Earnings | | 55,662 |
| Net Income/ (Loss) | | (755,925) |
| **Balance—December 31, 2022** | **$** | **(409,031)** |
| Owner's Equity | | (428,036) |
| Retained Earnings | | 19,005 |
| Net Income/ (Loss) | | (267,395) |
| **Balance—December 31, 2023** | **$** | **(676,426)** |
| Owner's Equity | | (1,307,713) |
| Retained Earnings | | 128,527 |
| Net Income/ (Loss) | | (808,040) |
| **Balance—December 31, 2024** | **$** | **(1,487,226)** |

# Felt and Fat LLC
## Notes To The Financial Statements (Unaudited)
## For The Year Ended December 31, 2024
(*Unaudited*)

## 1. ORGANIZATION AND PURPOSE

Felt and Fat LLC (hereinafter referred to as “we”, “our”, “us” or the “Company”) was organized on August 4, 2014 as a Pennsylvania limited liability company. The headquarters of the Company are located in Philadelphia, PA.

Founded in 2014 by designer Nate Mell, the mission of Felt and Fat is to practice innovative, collaborative ceramic design and manufacturing domestically while providing high quality manufacturing jobs to our local community.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies is presented to assist in understanding the Company’s financial statements. The accounting policies conform to accounting principles generally accepted in the United States of America (“GAAP” and “US GAAP”).

**Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with US GAAP and the Company has adopted the calendar year as its basis for reporting.

**Use of Estimates**

The preparation of financial statements in conformity with US 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash & Cash Equivalents**

Cash and cash equivalents include all cash in banks, cash on hand, and all highly liquid investments with original maturities of three months or less at the time of purchase. As of December 31, 2023 and 2022, the Company’s cash & cash equivalents did not exceed the FDIC insured limits.

**Inventories**

Inventories are valued at the lower of cost and net realizable value. Inventories include costs for raw materials and finished goods.

**Accounts Receivables**

Accounts receivables are carried net of allowance for expected credit losses. The allowance for expected credit losses is increased by provision charged to expense and reduced by accounts charged off, net of recoveries. The allowance is maintained at a level considered adequate to provide for potential account losses based on management’s evaluation of the anticipated impact on the balance of current economic conditions, changes in character and size of the balance, past and expected future loss experience and other pertinent factors.

In June 2016, the FASB issued ASU No. 2016-13, "*Financial Instrument – Credit Losses*". This ASU, and the related ASUs issued subsequently by the FASB introduce a new model for recognizing credit loss on financial assets not accounted for at fair values through net income, including loans, debt securities, trade receivables, net investment in leases and available-for-sale debt securities. The new ASU broadens the information that an entity must consider in developing estimates of expected credit losses and requires an entity to estimate credit losses over the life of an exposure based on historical information, current information and reasonable supportable forecasts.

The Company adopted this ASU on January 1, 2023, using the modified retrospective approach. The adoption of this ASU did not have a material impact on financial statements.

**Revenue Recognition**

The Company recognizes revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled to in exchange for those goods or services. In determining when and how revenue is to be recognized from contracts with customers, the Company performs the following five step analysis laid under Accounting Standard Codification ("ASC") 606, Revenue from Contracts with Customers: (1) identification of contract with customers, (2) determination of performance obligations, (3) measurement of the transaction price, (4) allocation of transaction price to the performance obligations, and (5) recognition of revenue when or as the company satisfies each performance obligation.

**Fair Value of Financial Instruments**

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.

**Advertising and Promotional Costs**

Advertising and promotional costs are expensed as incurred. Advertising and promotional expenses for the years ended December 31, 2023 and 2022 amounted to $326,642 and $200,351, respectively, which is included in sales and marketing expenses.

## 3. DEBT

The Company had outstanding term loans/ notes payables with varying maturities. Details of loans outstanding are as follows:

**Equipment Loan**

In August 2019, the Company secured an equipment loan from PIDC Community Capital of $120,000. The loan carries an interest of 6.25% and matures in February 2025.

**SBA Loan**

In May 2020, the Company secured a loan from the Small Business Administration ("SBA") of $645,000. The loan carries an interest of 3.75% and matures in May 2050.

**Working Capital Loan**

In October 2020, the Company secured a working capital loan from PIDC Community Capital of $50,000. The loan carries an interest of 6.25% and matures in March 2025.

**Equipment Loan**

In September 2022, the Company secured an equipment loan from PIDC Community Capital of $1,000,000. The loan carries an interest of 3.9% and matures in September 2029. Interest only payments are to be made for seven years at which point the loan will mature and be refinanced.

**Working Capital Loan**

In September 2022, the Company secured a working capital loan from PIDC Community Capital of $175,000. The loan carries an interest of 6.25% and matures in September 2030.

**Bridge Loan**

In October 2024, the Company secured a bridge loan from United Bank of $150,000. The loan carries an interest of 9.5% and matures in April 2025.

## 4. CONTINGENCIES AND COMMITMENTS

***Contingencies***

The Company's operations are subject to a variety of local, state, and federal regulations. Failure to comply with these requirements may result in fines, penalties, restrictions on operations, or losses of permits which will have an adverse impact on the Company's operations and might result in outflow of economic resources.

***Litigation and Claims***

From time to time, the Company may be involved in or exposed to litigation arising from operation in the normal course of business. 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.

## 5. SUBSEQUENT EVENTS

The Company considers events or transactions that occur after the balance sheet 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 24, 2025, which is the date the financial statements were available to be issued.