
Steeped, Inc.
DBA Steeped Coffee

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021 AND 2020

Audited

(Expressed in United States Dollars)

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INDEPENDENT ACCOUNTANT'S AUDIT REPORT

To the Board of Directors of
Steeped, Inc.
Scotts Valley, California

Opinion

We have audited the financial statements of Steeped, Inc., which comprise the balance sheets as of December 31, 2021, and 2020, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Steeped, Inc. as of December 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 Financial Statements section of our report. We are required to be independent of Steeped, Inc. 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 Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Steeped, Inc.'s ability to continue as a going concern for period of twelve months from the end of the year ended December 31, 2021.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these 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 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 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 Steeped, Inc.'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Steeped, Inc.'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.

SetApart FS

May 6, 2022
Los Angeles, California

Steeped, Inc. DBA Steeped Coffee
BALANCE SHEET

As of December 31,	2021	2020
(USD \$ in Dollars)		
ASSETS		
Current Assets:		
Cash & cash equivalents	\$ 192,267	\$ 654,773
Account receivables, net	434,808	371,088
Other receivable	-	100,000
Inventories	356,079	124,127
Prepays and other current assets	40,562	18,000
Total current assets	1,023,716	1,267,988
Property and equipment, net	852,969	637,235
Intangible assets, net	-	755
Other non-current assets	20,785	20,785
Total assets	\$ 1,897,470	\$ 1,926,763
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Account payables	\$ 644,686	\$ 700,176
Credit cards	76,843	42,207
Current portion of Promissory Note and Loans	290,707	110,591
Loan payable	-	40,000
Other current liabilities	92,141	69,932
Total current liabilities	1,104,377	962,906
Promissory note and loans	7,010,943	4,434,058
Other non-current liabilities	401,188	184,562
Total liabilities	8,516,508	5,581,526
STOCKHOLDERS EQUITY		
Preferred stock	7	7
Common Stock	60	60
Additional Paid in Capital	-	-
Retained earnings/(Accumulated Deficit)	(6,619,105)	(3,654,830)
Total stockholders' equity	(6,619,038)	(3,654,763)
Total liabilities and stockholders' equity	\$ 1,897,470	\$ 1,926,763

See accompanying notes to financial statements.

Steeped, Inc. DBA Steeped Coffee
STATEMENTS OF OPERATIONS

For Fiscal Year Ended December 31,	2021	2020
(USD \$ in Dollars)		
Net revenue	\$ 2,922,061	\$ 2,242,690
Cost of goods sold	<u>2,851,959</u>	<u>2,251,094</u>
Gross profit/(loss)	70,102	(8,404)
Operating expenses		
General and administrative	1,267,249	947,148
Sales and marketing	<u>1,564,520</u>	<u>870,592</u>
Total operating expenses	2,831,769	1,817,740
Operating income/(loss)	(2,761,667)	(1,826,144)
Interest expense	275,488	167,686
Other Loss/(Income)	<u>(72,880)</u>	<u>(206,063)</u>
Income/(Loss) before provision for income taxes	(2,964,275)	(1,787,767)
Provision/(Benefit) for income taxes	-	-
Net income/(Net Loss)	<u>\$ (2,964,275)</u>	<u>\$ (1,787,767)</u>

See accompanying notes to financial statements.

Steeped, Inc. DBA Steeped Coffee
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(in , \$US)	Preferred Stock		Common Stock		Additional Paid In Capital	Retained earnings/ (Accumulated Deficit)	Total Shareholder Equity
	Shares	Amount	Shares	Amount			
Balance—December 31, 2019	666,667	\$ 7	6,000,000	\$ 60	\$ -	\$ (1,867,063)	\$ (1,866,996)
Stock issuance							-
Net income/(loss)						(1,787,767)	(1,787,767)
Balance—December 31, 2020	666,667	\$ 7	6,000,000	\$ 60	\$ -	\$ (3,654,830)	\$ (3,654,763)
Restricted stock awards granted			646,799	-			-
Net income/(loss)						(2,964,275)	(2,964,275)
Balance—December 31, 2021	666,667	\$ 7	6,646,799	\$ 60	\$ -	\$ (6,619,105)	\$ (6,619,038)

See accompanying notes to financial statements.

Steeped, Inc. DBA Steeped Coffee
STATEMENTS OF CASH FLOWS

For Fiscal Year Ended December 31,	2021	2020
(USD \$ in Dollars)		
CASH FLOW FROM OPERATING ACTIVITIES		
Net income/(loss)	\$ (2,964,275)	\$ (1,787,767)
Adjustments to reconcile net income to net cash provided/(used) by operating activities:		
Depreciation of tangible assets	115,582	62,610
Amortization of intangible assets	755	408
Changes in operating assets and liabilities:		
Inventories	(231,952)	(52,299)
Account receivables	(63,720)	(268,993)
Other receivable	100,000	(97,602)
Prepays and other current assets	(22,562)	(18,000)
Account Payables	(55,489)	616,505
Credit cards	34,636	(32,031)
Other current liabilities	22,208	15,424
Net cash provided/(used) by operating activities	(3,064,817)	(1,561,745)
 CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(331,316)	(548,884)
Net cash provided/(used) in investing activities	(331,316)	(548,884)
 CASH FLOW FROM FINANCING ACTIVITIES		
Issuance of Common Stock	-	-
Borrowing on promissory notes	2,933,627	2,460,030
Net cash provided/(used) by financing activities	2,933,627	2,460,030
 Change in cash	(462,506)	349,401
Cash—beginning of year	654,773	305,372
Cash—end of year	\$ 192,267	\$ 654,773
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 67,851	\$ 43,471
Cash paid during the year for income taxes	\$ -	\$ -
 OTHER NONCASH INVESTING AND FINANCING ACTIVITIES AND SUPPLEMENTAL DISCLOSURES		
Purchase of property and equipment not yet paid for	\$ -	\$ -
Issuance of equity in return for note	\$ -	\$ -
Issuance of equity in return for accrued payroll and other liabilities	\$ -	\$ -

See accompanying notes to financial statements.

Steeped, Inc. DBA Steeped Coffee
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED TO DECEMBER 31, 2021, AND DECEMBER 31, 2020

1. NATURE OF OPERATIONS

Steeped, Inc. was originally incorporated in the state of California on December 19, 2016, as SpecialTea Coffee, Inc. On March 28, 2017, the Company completed a merger with SpecialTea Coffee, Inc. a Delaware corporation. SpecialTea Coffee, Inc., a Delaware corporation, is the surviving entity, and on June 19, 2017, the Company changed its name to Steeped, Inc. Steeped, Inc. operates under the DBA Steeped Coffee. The financial statements of Steeped, Inc. (which may be referred to as “Steeped Coffee”, “Steeped”, “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 Scotts Valley, CA.

Steeped is Coffee simplified. Steeped Coffee® is the new standard in coffee, brewed with the ritual of tea using simple Steeped Bags®. Steeped Coffee was innovated to combine the quality of craft specialty coffee with the convenience of single-serve coffee, but unplugged, without the environmental impact. Steeped, Inc. directly provides its proprietary brewing method through national distributions in multiple markets, as well as by partnering with hundreds of top roasters and coffee brands. After receiving several national awards, Steeped is leading the movement to revolutionize the world’s dependence on wasteful single-serve coffee pods, and has pioneered the first and only barista-approved single-serve brewing method that is completely compostable with no machines required.

Steeped Coffee is on a mission to make quality coffee more accessible and to bring sustainability to the single-serve coffee market. Steeped, Inc. is a Certified B Corp and Public Benefit Corporation focused on every detail from farm-to-cup and beyond, to bring coffee lovers the most convenient, high quality, ethically sourced, and sustainably packaged products available. Steeped believes in Coffee Without Compromise and is focused on Purpose Beyond Profits, seeing success as the amount of good we can do together.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America (“US GAAP”). The Company has adopted the calendar year as its basis of reporting.

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 and Cash Equivalents

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. The Company’s cash and cash equivalents in bank deposit accounts, at times, may exceed federally insured limits. As of December 31, 2021, and December 31, 2020, the Company’s cash and cash equivalents exceeded FDIC insured limits by \$0, and \$404,773, respectively.

Accounts Receivable and Allowance for Doubtful Accounts

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Accounts receivable are recorded at net realizable value or the amount that the Company expects to collect on gross customer trade receivables. Receivables are considered impaired and written-off when it is probable that all contractual payments due will not be collected in accordance with the terms of the agreement. As of December 31, 2021, and the Company determined that no reserve was necessary.

Inventories

Inventories are stated at lower cost using the first-in, first-out method or net realizable value.

Property and Equipment

Property and equipment are stated at cost. Normal repairs and maintenance costs are charged to earnings as incurred and additions and major improvements are capitalized. The cost of assets retired or otherwise disposed of, and the related depreciation are eliminated from the accounts in the period of disposal and the resulting gain or loss is credited or charged to earnings.

Depreciation is computed over the estimated useful lives of the related asset type or term of the operating lease using the straight-line method for financial statement purposes. The estimated service lives for property and equipment are as follows:

Category	Useful Life
Computer equipment	3 - 5 years
Furniture & fixtures	4 years
Leasehold improvements	5 years
Machinery & equipment	3 - 10 years

Impairment of Long-lived Assets

Long-lived assets, such as property, 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

Steeped, 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

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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.

Concentration of Credit Risk

The Company maintains its cash with a major financial institution located in the United States of America which it believes to be creditworthy. Balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times, the Company may maintain balances in excess of the federally insured limits.

Revenue Recognition

ASC Topic 606, "Revenue from Contracts with Customers" establishes principles for reporting information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers.

Revenues are recognized when control of the promised goods or services are transferred to a customer, in an amount that reflects the consideration that the Company expects to receive in exchange for those goods or services. The Company applies the following five steps in order to determine the appropriate amount of revenue to be recognized as it fulfills its obligations under each of its agreements:

- 1) Identify the contract with a customer
- 2) Identify the performance obligations in the contract
- 3) Determine the transaction price
- 4) Allocate the transaction price to performance obligations in the contract; and
- 5) Recognize revenue as the performance obligation is satisfied.

The Company derives all revenues from the sale of coffee products, and from the manufacturing and fulfillment of Licensed Partners' coffee into the Company's Steeped Coffee delivery system. The Company sells directly to consumers online through the Company's website and online accounts, and wholesales its coffee products both directly and through distributors to various market verticals, including hospitality, office coffee, and grocery, which in turn sells or supplies the products to the end-consumer.

Cost of Sales

The Company expenses incremental costs that directly relate to the sales of our products immediately under the available practical expedient as the amortization period would be less than one year.

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Advertising and Promotion

Advertising and promotional costs are expensed as incurred. Advertising and promotional expenses for the years ended December 31, 2021, and December 31, 2020, amounted to \$94,848 and \$54,600, which is included in sales and marketing expenses.

Research and Development Costs

Costs incurred in the research and development of the Company's products are expensed as incurred.

Stock-Based Compensation

The Company accounts for stock-based compensation to both employee and non-employees in accordance with ASC 718, Compensation - Stock Compensation. Under the fair value recognition provisions of ASC 718, stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense ratably over the requisite service period, which is generally the option vesting period. The Company uses the Black-Scholes option pricing model to determine the fair value of stock options.

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.

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 May 6, 2022, 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 twelve 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

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fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021, and early application is permitted. The standard implementation did not have a material impact.

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. The standard implementation did not have a material impact.

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 beginning after December 15, 2021, and early application is permitted. The standard implementation did not have a material impact.

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. INVENTORY

Inventory consists of the following items:

As of Year Ended December 31,	2021	2020
Raw Materials	\$ 270,161	124,127
Finished Goods	85,918	-
Total Inventories	\$ 356,079	\$ 124,127

4. DETAILS OF CERTAIN ASSETS AND LIABILITIES

Account receivables consist primarily of trade receivables and accounts payable consist primarily of trade payables. Prepaids and other current assets consist of the following items:

As of Year Ended December 31,	2021	2020
Prepaid Expenses	\$ 3,235	\$ 15,000
Prepaid Insurance	37,327	-
Prepaid Marketing	-	3,000
Total Prepaid Expenses	\$ 40,562	\$ 18,000

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Other current liabilities consist of the following items:

As of Year Ended December 31,	2021	2020
Payroll Taxes Payable	\$ 31,318	\$ (28,113)
Commissions Payable	\$ 1,693	
401(k) Contributions Payable	-	31
Accrued Expenses	16,616	20,764
Accrued Employee Benefits	-	-
Interest Payable	7,769	1,168
_depreciated Customer Deposits	-	75,703
Customer Deposits (2021)	34,745	380
Sales Tax Payable	-	-
Total other current liabilities	\$ 92,141	\$ 69,933

5. PROPERTY AND EQUIPMENT

As of December 31, 2021, and December 31, 2020, property and equipment consists of:

As of Year Ended December 31,	2021	2020
Computer equipment	\$ 54,999	\$ 39,302
Furniture & fixtures	2,527	2,527
Leasehold improvements	83,691	78,691
Machinery & equipment	760,733	536,327
Construction in progress	146,136	59,923
	1,048,086	716,770
Accumulated depreciation	(195,117)	(79,535)
Property & equipment, net	\$ 852,969	\$ 637,235

Depreciation expenses for property and equipment for the fiscal year ended December 31, 2021, and 2020 were in the amount of \$115,582 and \$62,611, respectively.

6. CAPITALIZATION AND EQUITY TRANSACTIONS

Common Stock

The Company is authorized to issue 10,000,000 Common Shares with at par value of \$0.00001. As of December 31, 2021, and December 31, 2020, Common Shares in the amount of 6,646,799 and 6,000,000, respectively, have been issued and are outstanding.

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Preferred Stock

The Company is authorized to issue 1,000,000 Preferred Shares with a \$0.00001 par value. As of December 31, 2021, and December 31, 2020, 666,667 shares of Preferred Shares have been issued and are outstanding.

7. SHARE-BASED COMPENSATION

The Company's Steeped, Inc. 2019 Stock Plan (the "Plan") provides both for the direct award or sale of common stock and for the grant of options to purchase common stock. Options granted under the Plan may be incentive stock option ("ISOs") intended to qualify under Internal Revenue Code Section 422 or nonqualified stock options ("NSOs"), which do not qualify as ISOs as described in Code Section 422(b) or 423(b).

Employees, outside directors, advisors, and consultants shall be eligible for the grant of NSOs or the direct award or sale of shares. Only Employees shall be eligible for the grant of ISOs.

A total of 740,741 shares have been authorized for issuance under this Plan. The exercise price of the stock options is determined by the Company's board of directors or committee of non-employee directors thereof in good faith. The granting of shares and exercise price must be approved by the Company's board of directors. As of December 31, 2021, the Company has issued 646,799 under the Plan. All shares from the Plan to date have been restricted stock grants or awards, and in general, shares vest over a period of approximately three to four years.

8. DEBT

Debt Instrument Name	Principal Amount	Interest Rate	Maturity Date	For the Year Ended December 2021					For the Year Ended December 2020				
				Interest Expense	Accrued Interest	Current Portion	Non-current Portion	Total Indebtedness	Interest Expense	Accrued Interest	Current Portion	Non-current Portion	Total Indebtedness
Term N/P - Machine 1	\$ 310	10.00%	1/31/2022	\$ 1,756	\$ -	\$ 310	\$ -	\$ 310	\$ 4,285	\$ -	\$ 32,182	\$ -	\$ 32,182
Term N/P - Machine 2	\$ 120,000	10.00%	2/1/2025	9,155	-	25,766	55,864	81,630	8,298	-	23,326	77,876	101,202
Term N/P - Machine 3	\$ 120,000	10.00%	2/1/2025	9,114	-	25,815	55,390	81,205	8,245	-	23,565	77,249	100,813
Term N/P - Machine 4	\$ 152,433	8.00%	11/13/2025	12,104	-	30,808	93,541	124,349	-	-	-	152,433	152,433
Term N/P - Machine 5 & 6	\$ 234,415	7.00%	9/1/2026	4,045	-	48,386	176,149	224,535	-	-	-	-	-
N/P - Shareholder - Line of credit	\$ 500,000	8.00%	12/31/2026	10,201	7,769	159,621	-	159,621	7,337	1,168	31,519	-	31,519
Term N/P - SBA EIDL	\$ 440,000	3.75%	30 years	8,989	10,633	-	440,000	440,000	1,644	1,644	-	141,500	141,500
Convert N/P - Seed Round 1	\$ 1,175,000	4.00%	4 Years based on CPN date	47,000	155,474	-	1,175,000	1,175,000	47,000	108,474	-	1,175,000	1,175,000
Convert N/P - Seed Round 2	\$ 1,535,000	4.00%	4 Years based on CPN date	61,400	120,056	-	1,535,000	1,535,000	51,796	58,656	-	1,535,000	1,535,000
Convert N/P - Seed Round 3 (AIN)	\$ 575,000	4.00%	4 Years based on CPN date	23,000	38,172	-	575,000	575,000	15,172	15,172	-	575,000	575,000
Convert N/P - Seed Round 4	\$ 2,905,000	4.00%	4 Years based on CPN date	76,237	76,853	-	2,905,000	2,905,000	615	615	-	700,000	700,000
N/P - PayPal	\$ 40,000	5.00%	Line of credit	1,246	-	-	-	-	1,992	-	40,000	-	40,000
Total				\$ 264,248	\$ 408,957	\$ 290,707	\$ 7,010,943	\$ 7,301,650	\$ 146,384	\$ 185,728	\$ 150,591	\$ 4,434,058	\$ 4,584,649

SBA Disaster Loan

The Company received a thirty-year SBA disaster loan in the amount of \$141,500 during the year ending December 31, 2020. The Company received a loan modification on September 2, 2021, increasing the loan amount by an additional \$298,500, to \$440,000. This loan bears interest at a rate of 3.75%, has monthly payments of \$2,233 beginning thirty months from the date of the note and matures in thirty years.

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Related Party Note Payables

The Company issued secured notes totaling \$627,158 to related parties for the purchase of machinery and equipment with maturity dates from 2022 to 2026. As of December 31, 2021, \$512,029 was outstanding. The notes accrue interest at a rate between seven and ten percent. The Company recorded interest expenses of \$36,175 and \$20,828, on these notes for years ended December 31, 2021 and December 31, 2020, respectively.

The Company issued an unsecured line-of credit with a maximum available credit of \$500,000 to a related party with a maturity date set on December 31, 2026. As of December 31, 2021, \$159,621 was outstanding. The line-of-credit accrues interest at a rate of eight percent. The Company recorded interest expenses of \$10,201 and \$7,337, on the line-of-credit for years ended December 31, 2021 and December 31, 2020, respectively.

Convertible Notes

The Company has issued convertible notes as follows:

Year of Issue	Seed Round				Total by Year
	1	2	3	4	
2017	\$ 100,000	\$ -	\$ -	\$ -	\$ 100,000
2018	755,000	-	-	-	755,000
2019	320,000	850,000	-	-	1,170,000
2020	-	685,000	575,000	700,000	1,960,000
2021	-	-	-	2,205,000	2,205,000
Total by Issue	\$ 1,175,000	\$ 1,535,000	\$ 575,000	\$ 2,905,000	\$ 6,190,000

The notes have a four-year to five-year maturity date range based on date of issuance and bear a 4% interest rate. The convertible notes are convertible into either Shadow Preferred Stock or Common Stock. The conversion price is equal to the lesser of (a) a range of 90% to 80% of the price paid per share based of the date of issuance for Equity Securities by the investor in the Next Equity Financing and (b) the price equal to the quotient resulting from dividing a range of \$8,000,000 to \$25,000,000 based on the date of issuance by the number outstanding shares of common stock of the Company immediately prior the Next Equity Financing. Since the conversion feature is convertible into variable number of shares and does not have fixed-for-fixed features, the conversion feature was not bifurcated and recorded separately. In relation to the convertible notes, the Company recorded interest expenses of \$208,883 and \$116,575 for years ended December 31, 2021, and 2020, respectively.

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9. INCOME TAXES

The provision for income taxes for the year ended December 31, 2021, and December 31, 2020, consists of the following:

As of Year Ended December 31,	2021	2020
Net Operating Loss	\$ (878,735)	\$ (533,470)
Valuation Allowance	878,735	533,470
Net Provision for income tax	\$ -	\$ -

Significant components of the Company's deferred tax assets and liabilities at December 31, 2021, and December 31, 2020, are as follows:

As of Year Ended December 31,	2021	2020
Net Operating Loss	\$(1,969,343)	\$(1,090,608)
Valuation Allowance	1,969,343	1,090,608
Total Deferred Tax Asset	\$ -	\$ -

Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. On the basis of this evaluation, the Company has determined that it is more likely than not that the Company will not recognize the benefits of the federal and state net deferred tax assets, and, as a result, full valuation allowance has been set against its net deferred tax assets as of December 31, 2021, and December 31, 2020. The amount of the deferred tax asset to be realized could be adjusted if estimates of future taxable income during the carryforward period are reduced or increased.

For the fiscal year ending December 31, 2021, the Company had federal cumulative net operating loss ("NOL") carryforwards of \$6,599,674, and the Company had state net operating loss ("NOL") carryforwards of approximately \$6,599,674. Utilization of some of the federal and state NOL carryforwards to reduce future income taxes will depend on the Company's ability to generate sufficient taxable income prior to the expiration of the carryforwards. The federal net operating loss carryforward is subject to an 80% limitation on taxable income, does not expire, and will carry on indefinitely.

The Company recognizes the impact of a tax position in the financial statements if that position is more likely than not to be sustained on a tax return upon examination by the relevant taxing authority, based on the technical merits of the position. As of December 31, 2021, and 2020, the Company had no unrecognized tax benefits.

The Company recognizes interest and penalties related to income tax matters in income tax expense. As of December 31, 2021, and December 31, 2020, the Company had no accrued interest and penalties related to uncertain tax positions.

10. RELATED PARTY

The Company issued secured notes totaling \$627,158 to a related parties for the purchase of machinery and equipment with maturity dates from 2022 to 2026. As of December 31, 2021, \$512,029 was outstanding. The notes accrue interest

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at a rate between seven and ten percent. The Company recorded interest expenses of \$36,175 and \$20,828, on these notes for years ended December 31, 2021 and December 31, 2020, respectively.

The Company issued an unsecured line-of credit with a maximum available credit of \$500,000 to a related party with a maturity date set on December 31, 2026. As of December 31, 2021, \$159,621 was outstanding. The line-of-credit accrues interest at a rate of eight percent. The Company recorded interest expenses of \$10,201 and \$7,337, on the line-of-credit for years ended December 31, 2021 and December 31, 2020, respectively.

11. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company enters various operating leases for facilities. The aggregate minimum annual lease payments under operating leases in effect on December 31, 2021, are as follows:

Year	Obligation
2022	\$ 167,750
2023	184,525
2024	171,921
2025	33,275
Thereafter	-
Total future minimum operating lease payments	\$ 557,471

Rent expenses were in the amount of \$158,100 and \$129,000, for the fiscal years ended December 31, 2021, and December 31, 2020, respectively.

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, 2021, 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.

12. SUBSEQUENT EVENTS

The Company has evaluated subsequent events for the period from December 31, 2021, through May 6, 2022, which is the date the financial statements were available to be issued.

Since the balance sheet date, the Company has reached a sales agreements with the following: 1) a US-based multinational retail corporation to carry 4-6 SKUs in-store for an approximate July 2022 launch across 800 locations; 2)

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a US-based nationwide grocer to carry 2 SKUs in 456 new locations; 3) a large grocer in the US mid-Atlantic and Carolinas region to carry Steeped Packs in 260 locations; 4) a large grocer in the US northeast to carry Steeped Packs in 200 locations; and 5) the US largest retailers' cooperative group of supermarkets to carry Steeped Packs into 200 of its locations in the US northeast.

Furthermore, the Company signed 25 new licensed partners, which brings the total Licensed Partner count to over 375 businesses partnering in the Steeped Coffee brewing method.

Additionally, the Company raised an additional \$100,000 in the fourth Convertible Note round and \$1,615,00 in two additional rounds of Convertible Notes, totaling \$1,715,000, raised since the balance sheet date.

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