

FYVE ELEMENTS LLC

FINANCIAL STATEMENTS

12/31/2020

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FYVE ELEMENTS LLC

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SamyCPA, LLC

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors

Fyve Elements, LLC

Report on the Financial Statements

We have audited the accompanying financial statements of Fyve Elements, LLC a State of Maryland Limited Liability Corporation, which comprise the balance sheet as of December 31, 2020, and the related statements of income, retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S generally accepted accounting principles; 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessments of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor consider internal control

SamyCPA, LLC

relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide for our audit opinion.

Opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fyve Elements, LLC as of December 31, 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.



Kandasamy Ayyappan, CPA

25th, March ,2021

FYVE ELEMENTS LLC
FOR THE YEAR ENDED DECEMBER 31, 2020
(See Independent Accountants' Audit report)

<u>ASSETS</u>	<u>Amount(\$)</u>
<u>Current Assets :</u>	
Cash and Cash equivalents	206,887.79
Accounts Receivable, net	882,291.00
Inventories -Gross	2,410,983.00
Provision	(247,514.00)
Total current assets	\$ 3,252,647.79
<u>Property and Equipment (Net of Accumulated)</u>	
	\$ 26,892.49
<u>Other Assets :</u>	
Security Deposit	54,018.50
Prepaid Expenses	7,415.15
Advances	59,105.88
Total Other Assets	\$ 120,539.53
<u>Intangible Assets:</u>	
Amortization, net	\$ 60,395.26
TOTAL ASSETS	\$ 3,460,475.07
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>	
<u>Current Liabilities :</u>	
Accounts Payable	2,503,999.77
Sales Commission Payable	5,743.50
Legal and Professional fee	11,000.00
PPP Loan	179,890.00
Accrued Taxes	49,548.00
Total Current Liabilities	\$ 2,750,181.27
<u>Long Term Liabilities:</u>	
Responsibility Trade Fund	\$ -
<u>Stockholders' Equity :</u>	
Common Stock	200,000.00
Additional Paid in capital	440,000.00
Retained Earnings	70,293.80
Total Stockholders Equity	\$ 710,293.80
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 3,460,475.07

The accompanying disclosure are an integral part of these statements.

FYVE ELEMENTS LLC
STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31,2020
(See Independent Accountants' Audit report)

	Amount (\$)	%
<u>Revenue</u>	\$ 12,245,924.73	100.00
Cost of Sales		
Labor & Overhead	\$ 10,130,316.71	
Total Cost of Sales	\$ 10,130,316.71	82.72
<u>Gross Profit</u>	\$ 2,115,608.02	17.28
General, Sales, Adminstrative Expenses	\$ 1,248,099.58	10.19
Rent	343,603.28	2.80
Total Operating Expense	\$ 1,591,702.86	12.99
<u>Net Income from Operations before Depreciation</u>	\$ 523,905.16	4.27
Amortization	20,131.75	0.16
Depreciation	13,422.00	0.11
Interest	77,068.61	0.63
Total Other Expenses	\$ 110,622.36	0.90
<u>Net Profit/(Loss) before Tax</u>	\$ 413,282.80	3.37
Tax Accrual	\$ -	
Federal Tax	\$ 29,092.00	
State Tax (IL,MD)	<u>\$ 20,456.00</u>	
Net Profit/(loss) after tax	\$ 363,734.80	2.97

The accompanying disclosure are an integral part of these statements.

FYVE ELEMENTS LLC
STATEMENT OF CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2020
(See Independent Accountants' Audit report)

Retained Earnings-Beginning	\$ (293,441.00)
Net Income	363,734.80
Dividend Distribution	-
Retained Earnings-Ending	<u>\$ 70,293.80</u>

The accompanying disclosure are an integral part of these statements.

FYVE ELEMENTS LLC
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 2020
(See Independent Accountants' Audit report)

OPERATING ACTIVITIES

<u>Net Income</u>	\$	<u>363,734.80</u>
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Net Cash Provided by Operations:

Accounts Receivable		607,155.14
Inventory		(124,256.75)
Accounts Payable		(246,556.18)
Interest Payable		(14,123.23)
Security Deposit, other		21,150.51
Loans and Advances		(16,071.24)
PPP Loan		179,890.00
Prepaid exp		15,696.16
Sales Commission payable		5,743.56
Professional fee payable		11,000.00
Accrued taxes		49,548.00
Others		(3,294.12)
Round off		(0.11)

Net Cash Provided by Operating Activities	\$	<u>485,881.74</u>
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INVESTING ACTIVITIES

Accumulated Depreciation	\$	13,422.00
Equipment	\$	(15,856.50)
Accumulated Amortization	\$	20,131.78

Net Cash Provided by Investing Activities	\$	17,697.28
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FINANCING ACTIVITIES

Responsibility Trade Fund	\$	<u>(1,200,000.00)</u>
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Net Cash provided by Financing Activities	\$	(1,200,000.00)
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Cash at beginning of Period	\$	539,573.97
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Cash at end of Period	\$	<u>206,887.79</u>
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The accompanying disclosure are an integral part of these statements.

FYVE ELEMENTS LLC
STATEMENT OF COST OF SALES ,GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31,2020

(See Independent Accountants' Audit report)

Cost of Sales	Amount(\$)	%
Gross Payroll	932,317.18	7.61
Cost of Good sold	9,103,581.09	74.34
Payroll Taxes	94,418.44	0.77
	\$ 10,130,316.71	82.72

General, Sales, Adminstrative Expenses

Advertisement	15,152.86	0.12
Automobile	38,533.11	0.31
Bad Debts write off	174,868.76	1.43
Bank Charges	7,555.72	0.06
Commissions	77,220.56	0.63
Detention Charges	69,976.60	0.57
Discounts	84,703.68	0.69
Handling and Shipping Charges	274,946.60	2.25
Insurance	72,817.17	0.59
Internet Charges	2,657.28	0.02
Lab Charges	2,035.52	0.02
Legal and professional fee	63,744.70	0.52
Licence and fee	225.00	0.00
Marketing Expenses	9,842.43	0.08
Moving Expenses	17,599.83	0.14
Misc	6,036.74	0.05
Office Expenses	20,665.08	0.17
Office Supplies	31,640.17	0.26
Payroll Processing Fee	11,088.98	0.09
Postage	1,071.01	0.01
Printing and Stationary	1,812.64	0.01
Property Taxes	300.00	0.00
Repair and Maintenance	14,702.25	0.12
Retirement Benefit-IRA	13,712.90	0.11
Software Expenses	26,566.53	0.22
Telephone	11,712.12	0.10
Temp Employees	2,119.50	0.02
Travel & Entertainment	15,337.73	0.13
Utilities	36,671.32	0.30
Vehicle Expenses-Lease &Rental	107,519.17	0.88
Warehouse Supplies	35,263.62	0.29
	\$ 1,248,099.58	10.19

The accompanying disclosure are an integral part of these statements.

Fyve Elements, LLC

Notes forming part of the audited financial statements.

December 31, 2020

1. Summary of significant accounting policies

1.1. Company overview and description of business:

FYVE Elements LLC, (the “Company”) headquarters in Jessup, MD, was incorporated on November 30, 2012 in the State of Maryland. The company is in the business of is whole-Sale retail distribution of Food products and related items in United States of America. Sresta Natural Bio products Private Ltd., India owns 100% of Fyve Elements, LLC. The Company has its warehouse located in Jessup, MD and Chicago, IL.

1.2. Basis of preparation and principles of financial statements

The accompanying financial statements have been prepared in conformity with U.S. Generally Accepted Accounting Principles (“US GAAP”)

1.3. 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 disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenue and expenses during the reported period. Appropriate changes in estimates are made as and when management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and if material, their effects are disclosed in the notes to the financial statements.

1.4. Cash and Cash equivalents

Cash equivalents consists of cash on hand and balance in current accounts, which are unrestricted as to withdraw and use. The company maintains cash balances with financial institution in the Unite Stats. Bank interest-bearing

balances in U.S banks are issued by the Federal Deposit Insurance Corporation (“FDIC”) for up to \$250,000 per institution. At various times throughout the year, balances at the financial institution may exceed the Federal Deposit Insurance Corporation limit. Management regularly monitors the financial condition of the banking institution along with their balances in cash to keep this potential risk at the minimum. At December 31,2020, the company’s cash, and cash equivalents in two banks is \$206,887.79.

1.5. Accounts Receivable

The company extends credit to customers based upon managements’ assessment of their creditworthiness. To avoid risk with accounts receivable, the company routinely analyzes the financial strength of customers.

The company maintain an allowance for doubtful accounts for estimated losses inherent in its accounts receivable. In establishing the required allowance, management considers historical losses adjusted to take into account current market conditions and customers’ financial condition, the amount of receivable in dispute, and the current receivables aging and current payment patterns.

Management had determined that there were \$174,868.76 uncollectable accounts receivable as of December 31,2020

1.6. Concentration of credit risk

Financial instruments, which potentially subject the Company Concentrations of credit risk, include cash. The Company holds collateral for this financial instrument. The Company places its available funds into high creditworthy financial institution.

1.7. Property, plant, and equipment

Property, plant, and equipment are stated at cost less accumulated depreciation, and accumulated impairment losses, if any

The company depreciates property, plant and equipment over the estimated useful life using the modified accelerated cost recovery systems for both

financial reporting and federal income tax purposes. Maintenance and repair costs are charged to expenses as incurred. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts and resulting gain or loss is reported in the audited financial statements of income.

The estimated useful lives of the assets are as follows:

Office equipment	5.7 years
Computers	5.7 years
Plant and machinery	5.0 years

Cost of Property and equipment is summarized as follows:

Warehouse Equipment & others	\$140,225.32
Furniture & Fixtures	2,654.06
Computer and Office equipment	26,142.57
Transportation equipment	21,815.54


Total Costs	\$ 190,837.49
Less: Accumulated Depreciation	\$163,945
Net Property and Equipment	\$26,892.49
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Depreciation expenses totaled \$13,422 for the period from 01/01/2020 to 12/31/2020. Fixed assets added during the year 2020 is \$15,856.50.

1.8. Intangible Assets

The company has incurred intangible cost in prior years. The company is amortizing costs over the period of 5 years. Intangible assets with finite lives are amortized over their respective estimated useful lives to their estimated residual values.

Amortization costs \$ 100,658.76



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Less: Accumulated Amortization	\$40,263.50
Net Amortization Costs	\$60,395.26

The amortization for the year ended December 31,2020 is \$20,131.75.

Year ending December 31:
2021 \$ 20,131.75
2022 \$20,131.75
2023 \$20,131.75

1.9. Inventory Provision

The cost of inventories is based on the weighted average basis.

Based on the company’s assessment of slow-moving inventory and expiration policies, the management has provided a provision for its inventory of \$247,514 for expired or near expiry products.

1.10. Revenue recognition

Sale of goods: The company recognizes revenue when it satisfies performance obligation under the terms of its contract, and control of its products is transferred to its customer in an amount that reflects the consideration the company expects to receive from its customers in exchange for those products.

The timing of transfer of control varies depending on the individual terms on sale, usually in case of domestic, such transfer occurs when the product is delivered to the customer.

Provision for sales returns is estimated based on historical experience, market condition.

Gross Sales for the year 2020 are \$12,235,228.50. Sales for Chicago, IL location are \$2,583,504.70 and Jessup, MD is \$9,651,723.80.

1.11. Shipping and handling

Shipping and handling costs incurred to transport products to customers are included in selling, general and administrative expenses. Total shipping and handling costs for the year 2020 is \$274,946.60.

1.12. Related Party Transactions:

Sresta Natural Bio Products Pvt Ltd, India had supplied goods to the tune of \$7,225,304.40 for the period from January 2020 to December 2020.

1.13. Cost of goods sold.

Cost of goods sold primarily includes cost of finished goods, freight inward, packing cost. COGS for the year 2020 is \$9,103,581/-

1.14. Advertisement expenses

The company recognize all advertising and promotional costs when incurred. During the year ended December 31,2020, advertisement expenses amounted to \$15,152.86. The amounts are included in general and administrative expenses in statement of Income.

1.15. Employee benefits

Defined contribution plans

Employees of the company in participate in an employee retirement savings plan (the “401k” plan) under section 401(k) of the United states Revenue code under the name of Fyve Elements, LLC 401(k) profit sharing plan and trust with effect from 11/16/2017. The 401k plan allows employees to defer a portion of their annual earnings on a pre-tax basis through voluntary contribution to the 401k plan. The 401k plan does provide 4% (maximum) matching contribution from the company. Contribution is charged to income in the year in which they are incurred and are included in statement of Income, For the year ended December 31,2020, the company contributions of

\$ 13,712.90. This amount is included in selling, general and administrative expenses in the statement of Income.

1.16. Notes payable.

There is no long-term loan payable to Responsibility trade fund for the year end December 31,2020. During the year 2020, fully paid off long term liability of \$1, 200,000/-

1.17. Interest payment

Interest paid \$77,068.61 during the year 2020 against responsibility trade fund.

1.18. Lease commitments:

The company entered an operating lease its office and warehouse space located at 8268 Preston Court, Suite # G and H Jessup, MD 20794 Company has leased 2 units. The future minimum lease payment under this lease are as follows:

Unit : 8268

Year ending December 31,

Year 1 (2020)	\$143,203.60
Year 2 (2021)	\$147,141.70
Year 3 (2022)	\$151,188.10
Year 4 (2023)	\$155,345.77
Year 5 (2024)	\$159,617.78
Year 6 (2025)	\$164,007.27
Year 7 (2026)	\$42,129.36 (Lease end

Branch office: 425 Meyer Road, Bensenville, IL 60106

Year ending December 31,

Year 1 (2019) \$147,922.44

Year 2 (2020) \$38,109.30

On 14th February 2020, the company entered an operating lease with Briet Industrial Canyon IL1003, LLC for premises located in 2075-2185 Estate Avenue, Elk Grove Village, IL 60007 and containing approximately 80,000 Square feet.

Monthly rent amount of \$10,312.50/- and security deposit of \$12,187.50 This is a Seven (7) years lease that expires on 30th June 2025.

The future minimum lease payment under this lease is as follows.

05/01/2020 -06/30/2020	0
07/01/2020 -04/30/2021	\$123,750
05/01/2021- 04/30/2022	\$131,250
05/01/2022- 04/30/2023	\$134,850
05/01/2023- 04/30/2024	\$ 138,600
05/01/2024-04/30/2025	\$142,350
05/01/2025-06/30/2025	\$ 146,250

1.19. Income Tax

The federal income tax provision for this year \$29,092/- on account of set-off of the US Federal tax loss carryforwards from prior years, net operating loss of \$274,751 against the taxable income for the year ended December 31,2020.

Carryforward net operating losses are as follows.

2016- \$78,668.00

2017 - \$49,406

2019 -\$146,677

Total carryforward amount adjusted is \$274,751/-

State Taxes accrued -Maryland \$11,429.

Illinois \$9027

Total State taxes accrued \$20,456.

1.20. SBA- PPP Loan

Company received forgivable loan amount of \$179,890 from Federal Government on 05/13/2020. The paycheck protection program (PPP) provides forgivable loans to small business to help to cover up to 24 weeks of payroll costs and qualifying non-payroll costs. It is a small business relief measure that incentivizes business to retain employee on payroll during the coronavirus (COVID-19) crisis.


1.21. Stockholders' equity

The company had only one class of stock, i.e., Common stock.

Common stock

The company share capital (Common stock) as of December 31,2020 is \$200,000/- and additional paid in capital of \$440,000/-

Stockholders are entitled to one vote for each common stock held by them.



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