U.S. Nutraceuticals, Inc.
(d/b/a Valensa International)
and Subsidiary

Consolidated Financial Statements
Years Ended March 31, 2026 and 2025

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Contents

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Independent Auditor's Report

The Board of Directors
U.S. Nutraceuticals, Inc.
(d/b/a Valensa International)
Eustis, Florida

Opinion

We have audited the consolidated financial statements of U.S. Nutraceuticals, Inc. (d/b/a Valensa International) and its subsidiary (the Company), which comprise the consolidated balance sheets as of March 31, 2026 and 2025, and the related consolidated statements of operations, stockholder's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2026 and 2025, 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 the Company 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated 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 consolidated 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 consolidated 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 the Company'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company'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.

BDO USA, P.C.

May 20, 2026

Consolidated Financial Statements

U.S. Nutraceuticals, Inc.
(d/b/a Valensa International)
and Subsidiary

Consolidated Balance Sheets

March 31,		**2026**		2025
Assets				
Current Assets				
Cash and cash equivalents	**$**	**107,601**	$	235,822
Accounts receivable, net		**3,160,473**		4,033,725
Inventories, net		**12,757,590**		13,845,349
Prepaid expenses and other current assets		**214,272**		233,913
Total Current Assets		**16,239,936**		18,348,809
Property and Equipment, Net		**1,311,130**		1,096,435
Other Assets				
Intangible assets, net		**655,966**		696,152
Goodwill, net		**231,741**		297,952
Deposits		**28,745**		59,065
Total Other Assets		**916,452**		1,053,169
Total Assets	**$**	**18,467,518**	$	20,498,413
Liabilities and Stockholder's Equity				
Current Liabilities				
Accounts payable	**$**	**2,343,818**	$	1,325,400
Accrued expenses		**963,433**		671,603
Related-party payables		**94,145**		659,722
Line of credit		**6,200,000**		10,400,000
Total Current Liabilities		**9,601,396**		13,056,725
Commitments and Contingencies (Note 10)				
Stockholder's Equity				
Common stock, $1 par value, 20,000 shares authorized, 1,027 issued and outstanding		**1,027**		1,027
Additional paid-in capital		**20,121,437**		20,121,437
Accumulated deficit		**(11,256,342)**		(12,680,776)
Total Stockholder's Equity		**8,866,122**		7,441,688
Total Liabilities and Stockholder's Equity	**$**	**18,467,518**	$	20,498,413

See accompanying notes to consolidated financial statements.

U.S. Nutraceuticals, Inc.
(d/b/a Valensa International)
and Subsidiary

Consolidated Statements of Operations

Year ended March 31,	**2026**	2025
Revenues		
Product sales	**$ 20,266,587**	$ 21,231,644
Other revenues	**255,607**	227,314
Total Revenues	**20,522,194**	21,458,958
Cost of Sales	**13,392,939**	14,100,852
Gross Profit	**7,129,255**	7,358,106
Selling, General, and Administrative Expenses		
Salaries and wages	**4,481,163**	3,411,161
Professional fees	**618,933**	671,525
Insurance	**606,215**	813,147
Repairs and maintenance	**383,833**	392,290
Research and development	**377,313**	309,288
Gas	**354,782**	316,527
Travel expenses	**286,876**	217,605
Payroll taxes	**256,133**	191,086
Supplies	**216,418**	183,852
Rent	**190,454**	178,679
Utilities	**189,652**	176,571
Depreciation	**173,209**	182,430
Amortization	**158,801**	220,856
Advertising and marketing	**123,709**	47,063
Bank charges	**117,517**	105,682
Promotional events	**115,940**	97,535
Employee benefits	**111,687**	114,224
Telephone	**98,564**	86,670
Miscellaneous	**75,414**	33,631
Taxes and licenses	**72,436**	78,830
Dues and subscriptions	**63,260**	23,981
Impairment of intangible assets	**58,327**	90,652
Uniforms	**54,384**	56,066
Meals and entertainment	**40,841**	30,907
Samples	**39,072**	24,861
Data processing	**17,444**	16,069
Postage and freight	**10,638**	21,809
Royalty recoveries	**3,083**	5,393
Safety	**638**	1,459
Internet and computer services	**540**	932
Provision for doubtful debts	**-**	25,820
Less: applied production costs	**(2,043,172)**	(1,712,552)
Total Selling, General, and Administrative Expenses	**7,254,104**	6,414,049
Operating (Loss) Income	**(124,849)**	944,057

U.S. Nutraceuticals, Inc.
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and Subsidiary

Consolidated Statements of Operations

Year ended March 31,		**2026**		2025
Other Income (Expense)				
Interest expense	**$**	**(480,019)**	$	(663,383)
Other income (expense)		**5,404**		(1,500)
Insurance proceeds		**2,267,323**		43,790
Insurance claim-related appraisal fees		**(181,386)**		-
Building and improvements write-off		**-**		(432,804)
Total Other Income (Expense), Net		**1,611,322**		(1,053,897)
Net Income (Loss), before income taxes		**1,486,473**		(109,840)
Income Tax Expense		**(62,039)**		-
Net Income (Loss)	**$**	**1,424,434**	$	(109,840)

See accompanying notes to consolidated financial statements.

U.S. Nutraceuticals, Inc.
(d/b/a Valensa International)
and Subsidiary

Consolidated Statements of Stockholder's Equity

	Common Stock		Additional	Accumulated	Total Stockholder's
	Shares	Amount	Paid-in Capital	Deficit	Equity
Balance, March 31, 2024	1,027	$ 1,027	$ 20,121,437	$ (12,570,936)	$ 7,551,528
Net loss	-	-	-	(109,840)	(109,840)
Balance, March 31, 2025	1,027	1,027	20,121,437	(12,680,776)	7,441,688
Net income	-	-	-	1,424,434	1,424,434
Balance, March 31, 2026	1,027	$ 1,027	$ 20,121,437	$ (11,256,342)	$ 8,866,122

See accompanying notes to consolidated financial statements.

U.S. Nutraceuticals, Inc.
(d/b/a Valensa International)
and Subsidiary

Consolidated Statements of Cash Flows

Year ended March 31,	2026	2025
Cash Flows from Operating Activities		
Net income (loss)	$ **1,424,434**	$ (109,840)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	**332,010**	403,286
Inventory write-offs	**52,666**	2,153
Impairment of intangible assets	**58,327**	90,652
Gain on insurance proceeds related to building and improvements	**(2,267,323)**	(43,790)
Building and improvements write-off	**-**	432,804
Credit losses	**-**	25,820
Changes in operating assets and liabilities:		
Accounts receivable	**873,252**	603,614
Inventories	**1,035,093**	(1,946,373)
Prepaid expenses and other current assets	**19,641**	48,309
Deposits	**30,320**	(31,995)
Accounts payable	**1,018,418**	529,469
Accrued expenses	**291,830**	(393,466)
Related-party payables	**(565,577)**	(427,949)
Income tax payable	**-**	(22,426)
Net Cash Provided by (Used in) Operating Activities	**2,303,091**	(839,732)
Cash Flows from Investing Activities		
Purchase of property and equipment	**(387,904)**	(178,421)
Purchase of intangible assets	**(110,731)**	(109,101)
Insurance proceeds related to building and improvements	**2,267,323**	43,790
Net Cash Provided by (Used in) Investing Activities	**1,768,688**	(243,732)
Cash Flows from Financing Activities		
Borrowings under line of credit	**2,575,000**	6,850,000
Repayments under line of credit	**(6,775,000)**	(5,950,000)
Net Cash (Used in) Provided by Financing Activities	**(4,200,000)**	900,000
Net Decrease in Cash and Cash Equivalents	**(128,221)**	(183,464)
Cash and Cash Equivalents, beginning of year	**235,822**	419,286
Cash and Cash Equivalents, end of year	$ **107,601**	$ 235,822
Supplemental Disclosures of Cash Flow Information		
Interest paid	$ **535,386**	$ 670,550
Taxes paid	**66,000**	37,000

See accompanying notes to consolidated financial statements.

1. Nature of Organization and Operations

U.S. Nutraceuticals, Inc. (the Company), formerly U.S. Nutraceuticals, LLC, was formed on July 27, 1998 under the laws of the state of Florida. The Company is a wholly owned subsidiary of E.I.D. Parry (India), Ltd. (the Parent). The Company is doing business as Valensa International and is a science-based developer and producer of botanical-sourced products, including nutraceutical supplements, functional foods, general nutrition, and functional cosmetic ingredients.

2. Summary of Significant Accounting Policies

Basis of Accounting and Principles of Consolidation

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). All intercompany accounts and transactions between the Company and its wholly owned subsidiary have been eliminated in consolidation.

Cash Equivalents

The Company considers all short-term investments with an original maturity of three months or less, from date of purchase, to be cash equivalents. Bank deposits may at times exceed federally insured limits. The Company has not experienced losses on such accounts and believes it is not exposed to significant credit risk due to the credit quality of the depository institutions.

Accounts Receivable and Allowance for Credit Losses

The Company sells its products on credit terms that the Company establishes for each customer. Trade receivables are recorded upon recognition of sales based upon the date the customer takes control of the product. The Company generally does not require collateral to support customer receivables. Allowance for credit risk for accounts receivable is established based on various factors including credit profiles of the Company's customers, historical payments, and current economic trends. The Company reviews the provision for credit losses by assessing individual accounts receivable over a specific aging and amount. The estimate of expected credit losses is based on information about past events, historical loss experience, balances past due by aging category, prior payment history with affected customers, geographic conditions, current economic conditions, and forecasts of future economic conditions that affect the collectability. The Company also considers any known disputes or collection issues with customers. Accounts receivable are written off on a case-by-case basis, net of any amounts that may be collected. The Company generally does not charge interest on past-due accounts. The Company has recorded an allowance for credit loss of $0 and $25,820 on March 31, 2026 and 2025, respectively.

Inventories

Inventories consist of raw materials, work-in-process, and finished goods. Inventories are stated at the lower of cost (based on the weighted-average method) or net realizable value. Capitalized labor and overhead costs are absorbed into inventory production through an "applied production costs" account on the consolidated statements of operations. A reserve is recorded for any inventories deemed slow moving or obsolete. The Company's inventory reserve for slow-moving and obsolete inventory were $78,367 and $131,033 as of March 31, 2026 and 2025, respectively.

Property and Equipment

The Company capitalizes all property and equipment with a cost of $1,000 or more. Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are charged to expense as incurred. The carrying amount of accumulated depreciation of assets sold or retired is removed from the accounts in the year of disposal, and any resulting gain or loss is included in results of operations. No gains or losses were recorded during the years ended March 31, 2026 and 2025.

During the year ended March 31, 2024, one of the Company's buildings and related improvements was destroyed by Hurricane Idalia. The net book value of $432,804 was written off during the year ended March 31, 2025 and recorded as other expense in the accompanying consolidated statements of operations. During the year ended March 31, 2026, the Company received $2,267,323 in insurance claim proceeds, which has been recorded as other income in the accompanying consolidated statements of operations. The Company incurred appraisal fees of $181,386 related to the insurance claim, which are included in other expense in the accompanying consolidated statements of operations.

Goodwill and Other Intangible Assets

Intangible assets consist of goodwill, patents, patents pending, regulatory permitting costs, trademarks, and tradenames. Definite-lived intangibles are amortized using the straight-line method over the life of the intangible, ranging from six to 20 years. The Company's goodwill was recorded as a result of the Company's business combination of LaBelle in fiscal 2020.

Effective April 1, 2019, the Company adopted Accounting Standards Update (ASU) 2014-18, *Accounting for Identifiable Intangible Assets in a Business Combination*, which allows for private companies to not recognize separately from goodwill certain assets arising from customer relationships and noncompetition agreements upon a business acquisition unless they are contract assets that are capable of being sold or licensed independently from other assets of a business. Eligible customer-related intangible assets would be subsumed into goodwill and the goodwill is amortized. ASU 2014-18 requires the adoption of ASU 2014-12, *Accounting for Goodwill*, which allows eligible private companies to amortize goodwill and apply a one-step impairment model. Accordingly, the excess of the fair value of consideration paid over fair value of net identifiable assets and liabilities of an acquired business (goodwill) is amortized on a straight-line basis over ten years.

The Company assesses the recoverability of its goodwill and indefinite-lived intangible assets whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The Company recorded impairment charges on its patents of $58,327 and $90,652 during the years ended March 31, 2026 and 2025, respectively, due to a decision to discontinue products related to certain patents. These charges are presented as impairment of intangible assets within selling, general and administrative expenses in the accompanying consolidated statements of operations.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets for impairment, such as property and equipment and purchased definite-lived intangibles, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. There was no impairment of long-lived assets during the years ended March 31, 2026 and 2025.

Revenue Recognition

The Company recognizes revenue from product sales at a point in time when performance obligations under the terms of a contract with a customer are satisfied. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring goods. Control of the goods is transferred either upon shipment from the Company's warehouse or upon receipt by the customer, depending on the shipping terms of the contract.

There are several factors in determining that control transfers to the customer upon shipment of products, which include that legal title has transferred to the customer, the Company has a present right to payment, and that the customer has assumed the risks and rewards of ownership.

Sales (and similar) taxes that are imposed on sales and collected from customers are excluded from revenues.

The Company develops, manufactures, and sells science-based nutraceutical ingredients and finished formulations derived from botanical and microalgae sources, including products used in dietary supplements, functional foods, and cosmetic applications. The Company primarily sells these products to business customers in the health and wellness, food, and pharmaceutical industries and acts as principal in these arrangements.

Payment terms are generally short-term in nature and typically range from 30 to 60 days. Contracts do not typically include significant financing components. In certain arrangements, the Company may offer volume-based pricing adjustments or discounts, which are estimated as variable consideration when material.

The Company may provide limited rights of return or allowances for damaged or non-conforming goods. These rights are generally not significant due to the nature of the products and customer acceptance controls. The Company does not have a history of product returns and, accordingly, no refund liability has been recorded.

The Company provides assurance-type warranties that its products will conform to agreed-upon specifications and quality standards. These warranties do not represent separate performance obligations and are accounted for as cost accruals. The Company does not offer extended or service-type warranties.

Royalty Income

The Company has entered into trademark use and license agreements with certain customers giving them certain rights to use the Company's trademark and intellectual property on their finished product on certain terms for a limited period. The terms and rights vary from customer to customer. In consideration of such agreement, the customers are obligated to pay royalties on sales of these products to their end customers on a periodic basis. Revenue is recognized over time as the sales occur and is recorded within other revenues on the accompanying consolidated statements of operations.

Advertising Costs

Advertising costs, included in selling, general, and administrative expenses on the consolidated statements of operations, are expensed as incurred. The Company incurred approximately $123,700 and $47,100 in advertising expenses for the years ended March 31, 2026 and 2025, respectively.

Research and Development

Research and development costs to develop new products are charged to expense as incurred.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the consolidated financial statements and consist of taxes currently due plus deferred taxes resulting from temporary differences. Such temporary differences result from differences in the carrying value of assets and liabilities for tax and financial reporting purposes. The deferred tax assets and liabilities represent the future tax consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

The Company identifies and evaluates uncertain tax positions, if any, and recognizes the impact of uncertain tax positions for which there is a less-than-more-likely-than-not probability of the position being upheld when reviewed by the relevant taxing authority. Such positions are deemed to be unrecognized tax benefits and a corresponding liability is established on the consolidated balance sheets. The Company has not recognized a liability for uncertain tax positions. If there were an unrecognized tax benefit, the Company would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. The Company's tax years subject to examination by the Internal Revenue Service generally remain open for three years from the date of filing.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure 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.

Fair Value of Financial Instruments

The Company reports its financial assets and liabilities using a three-tier hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to adjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Accounting Standards Codification (ASC) 820 describes the following three levels of inputs that may be used to measure fair value:

Level 1 – This level consists of valuations based on adjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – This level consists of valuations based on quoted market prices for similar assets and liabilities in active markets.

Level 3 – This level consists of valuations based on unobservable inputs that are supported by little or no market activity, therefore requiring management's best estimate of what market participants would use as fair value.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values due to the short-term nature of these instruments. These financial instruments include cash and cash equivalents, accounts receivable, accounts payable, accrued expenses, and related-party payables. The line of credit is considered as Level 2 and its fair value was estimated based on current rates that would be available for debt of similar terms that is not significantly different from its stated value.

Reclassifications

Certain items have been reclassified in the 2025 financial statements to conform to the 2026 presentation with no impact on net loss.

3. Inventories

Inventories consist of the following:

March 31,	**2026**	2025
Raw materials	**$ 3,317,282**	$ 6,001,576
Work-in-process	**2,885,114**	1,174,927
Finished goods	**6,633,561**	6,799,879
Less: reserve for slow-moving or obsolete inventory	**(78,367)**	(131,033)
	$ 12,757,590	$ 13,845,349

4. Property and Equipment, Net

Property and equipment, net consists of the following:

March 31,	Estimated Useful Life (Years)	2026	2025
Land and improvements	0-20	$ **343,081**	$ 234,143
Building and improvements	7-20	**4,394,419**	4,394,419
Machinery and equipment	5-12	**5,762,458**	5,741,356
Furniture and fixtures	3-10	**356,453**	292,136
Construction-in-process	-	**183,510**	-
		11,039,921	10,662,054
Less: accumulated depreciation		**(9,728,791)**	(9,565,619)
		$ **1,311,130**	$ 1,096,435

Construction-in-process as of March 31, 2026 and 2025 consists of costs related to installation of new machinery and equipment that has not yet been placed in service. Depreciation expense was $173,209 and $182,430 for the year ended March 31, 2026 and 2025, respectively.

5. Goodwill and Other Intangibles

Goodwill

The change in the carrying amount of goodwill is as follows:

Year ended March 31,	2026	2025
Balance, beginning of year	$ **297,952**	$ 364,164
Amortization expense	**(66,211)**	(66,212)
Balance, end of year	$ **231,741**	$ 297,952

Future amortization of goodwill is as follows as of March 31, 2026:

Year ending March 31,	
2027	$ 66,211
2028	66,211
2029	66,211
2030	33,108
Total	$ 231,741

Other intangible assets consist of the following:

March 31,	Estimated Useful Lives (Years)	**2026**	2025
Patents	10-20	**$ 1,956,093**	$ 1,797,247
Pending patents	-	**123,008**	188,027
Regulatory permitting costs	10-20	**142,302**	142,302
Trademarks	Indefinite	**184,521**	225,945
Tradename	6	**278,300**	278,300
		2,684,224	2,631,821
Less: accumulated amortization		**(2,028,258)**	(1,935,669)
		$ 655,966	$ 696,152

Amortization expense of goodwill and intangible assets was $158,801 and $220,856 for the years ended March 31, 2026 and 2025, respectively, and is presented as amortization within selling, general, and administrative expenses, on the accompanying consolidated statements of operations.

The Company will begin amortizing $123,008 in pending patent costs upon their approval by the associated regulatory agency. Approximate future amortization expense on the remaining definite-lived intangibles is as follows:

Year ending March 31,	
2027	$ 79,000
2028	69,000
2029	68,000
2030	60,000
2031	48,000
Thereafter	24,000
	$ 348,000

The weighted-average remaining useful life of the Company's definite-lived intangible assets was approximately five years as of March 31, 2026.

6. Related Party Transactions

Related-Party Payables

Related-party payables consisted of inventory purchases from the Parent or entities related through common ownership. No defined repayment terms existed on related-party payables, as they were considered normal trade liabilities of the Company for normal operational purposes and are classified as current liabilities on the accompanying consolidated balance sheets.

Related-party payables of $94,145 at March 31, 2026 include trade accounts payable for inventory purchases to the Parent.

Related-party payables of $659,722 at March 31, 2025 include trade accounts payable for inventory purchases to the Parent.

Other Related-Party Transactions

For the year ended March 31, 2026, the Company purchased product from the Parent of $1,382,228. Approximately 9% of the Company's purchases for the year ended March 31, 2026 were from the Parent.

For the year ended March 31, 2025, the Company purchased product from the Parent of $2,615,962. Approximately 20% of the Company's purchases for the year ended March 31, 2025 were from the Parent.

7. Line of Credit

During the year ended March 31, 2026, the line of credit, renewed on May 5, 2025, was extended until to mature on July 31, 2026, and the interest rate was modified to SOFR plus 1.5% (5.65% and 6.1% as of March 31, 2026 and 2025). The said line of credit was secured by a standby letter of credit totaling $15,500,000. The line of credit does not require compliance with any financial covenants. The outstanding balance on the line of credit was $6,200,000 and $10,400,000 as of March 31, 2026 and 2025, respectively, and is reflected as a current liability. See Note 12; the revolving line of credit was renewed subsequent to year-end.

8. Concentrations and Credit Risk

The Company's financial instruments that are exposed to concentrations of credit risk consist of cash and cash equivalents placed with federally insured financial institutions. Such accounts may at times exceed federally insured limits. Management believes the associated risk is minimized by placing such assets with quality financial institutions. The Company has not experienced any losses on such accounts.

The Company had three customers that accounted for approximately 17%, 12%, and 11% of total revenues for the year ended March 31, 2026. The Company had three customers that accounted for approximately 19%, 17%, and 13% of total revenues for the year ended March 31, 2025. The Company had two customers that accounted for 28% and 27% of accounts receivable at March 31, 2026. The Company had three customers that accounted for 21%, 17%, and 16% of accounts receivable at March 31, 2025.

For the year ended March 31, 2025, the Company purchased inventory in excess of 10% of total purchases from the Parent, as discussed in Note 6.

9. Retirement Plans

Effective March 1, 2004, the Company adopted the U.S. Nutraceuticals Savings Plan (Plan). This Plan is a defined contribution plan, which includes a salary reduction feature. Employees are eligible to participate in the Plan based upon specific eligibility conditions set forth in the Plan document. The Company contributed matching funds equal to 100% of salary reduction contributions up to 3% of compensation, and 50% of salary reduction contributions for amounts greater than 3% of compensation for the employees electing to participate in the salary reduction program, up to a maximum of 5% of an employee's compensation. Matching contributions vest 100% immediately. For the years ended March 31, 2026 and 2025, the Company made approximately $95,200 and $81,100, respectively, in employer matching contributions, which are included in employee benefits on the accompanying consolidated statements of operations.

10. Commitments and Contingencies

The Company from time to time is involved in various legal actions arising in the normal course of business. Management, after reviewing with legal counsel all of these actions and proceedings, believes that the aggregate losses, if any, will not have a material adverse effect on the Company's financial position, results of operations, or cash flows.

11. Income Taxes

Income tax expense consists of the following:

Year ended March 31,		**2026**		2025
Current				
Federal	**$**	**53,511**	$	-
State		**8,528**		-
Total Income Tax Expense	**$**	**62,039**	$	-

Deferred income taxes arise from temporary differences resulting from income and expense items reported for financial accounting and tax purposes in different periods. Deferred tax assets are recorded to reflect deductible temporary differences and operating loss carryforwards, while deferred tax liabilities are recorded to reflect taxable temporary differences.

As shown in the table above, the Company incurred no federal or state income taxes during the year ended March 31, 2025, primarily due to the utilization of net operating losses and the existence of a full valuation allowance.

Deferred tax asset consists of the following:

March 31,		**2026**		2025
Depreciation on property and equipment	**$**	**160,800**	$	172,606
Amortization of intangible assets		**64,253**		148,738
Inventory reserve		**19,043**		32,167
Accrued salaries and wages		**19,782**		21,412
Accrued vacation		**34,639**		23,582
Other Accrued expenses		**46,572**		36,168
UNICAP		**30,594**		34,907
Excess business interest expense		**187,692**		247,058
Accrued sales commissions		**-**		756
Operating loss carryforward		**500,632**		751,793
Total Deferred Tax Asset		**1,064,007**		1,469,187
Disposition of ordinary assets		**-**		(22,325)
Less: valuation allowance		**(1,064,007)**		(1,446,862)
Net Deferred Tax Asset	**$**	**-**	$	-

As of March 31, 2026 and 2025, the Company had federal net operating losses (NOL) of $2,174,723 and $3,193,981, respectively. The federal NOL generated after December 31, 2017 of $2,853,054 will not expire. A full valuation allowance had already been established against the Company's deferred tax assets due to three years' cumulative losses. Since the NOLs are limited to 80% fiscal year-end taxable income, this resulted in $53,511 and $0 income tax expense being recorded during the years ended March 31, 2026 and 2025, respectively. The valuation allowance decreased by $382,855 and $6,282 during the years ended March 31, 2026 and 2025, respectively.

The Company files tax returns in the U.S., Florida and California. As of March 31, 2026, tax years for 2025, 2024, and 2023 are still subject to examination by the tax authorities. The Company is no longer subject to U.S. federal or state examinations by tax authorities for years before 2023.

12. Subsequent Events

The Company has evaluated events and transactions occurring subsequent to March 31, 2026 through May 20, 2026, which is the date the consolidated financial statements were available to be issued. No subsequent events have occurred since March 31, 2026 that require recognition or disclosure in the consolidated financial statements, except as follows:

- As disclosed in Note 7, the revolving line of credit was renewed on May 15, 2026 to extend the maturity date until July 31, 2027.