CHEERS HEALTH, INC.

(a Delaware corporation)

Audited Financial Statements

For the calendar years ended December 31, 2023 and 2022

INDEPENDENT AUDITOR'S REPORT

February 7, 2025

To: Board of Directors, CHEERS HEALTH, INC.

Re: 2023 and 2022 Financial Statement Audit

We have audited the accompanying financial statements of CHEERS HEALTH, INC. (a corporation organized in Delaware) (the "Company"), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations, stockholders' equity/deficit, and cash flows for the calendar year periods thus 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of the Company's financial statements in accordance with auditing standards generally 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 misstatement.

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 assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control 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 a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations, shareholders' equity/deficit and cash flows for the calendar year periods thus ended in accordance with accounting principles generally accepted in the United States of America.

Sincerely,

IndigoSpire CPA Group, LLC
Aurora, CO

February 7, 2025

CHEERS HEALTH, INC.
BALANCE SHEETS
As of December 31, 2023 and 2022
See accompanying Independent Auditor's Report and Notes to the Financial Statements

	2023	2022
TOTAL ASSETS		
Current Assets		
Cash and cash equivalents	$ 3,198,186	$ 2,310,540
Inventories	945,552	1,401,290
Other current assets	588,283	152,984
Total Current Assets	4,732,021	3,864,814
Non-Current Assets		
Investments, available-for-sale	2,067,819	2,015,722
Fixed assets, net	303,167	341,844
Intangible assets, net	7,244	8,036
Security Deposits	5,630	5,630
TOTAL ASSETS	**$ 7,115,881**	**$ 6,236,046**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Current Liabilities		
Accounts and credit cards payable	$ 171,130	$ 81,562
Other current liabilities	132,547	40,216
Total Current Liabilities	303,677	121,778
Non-Current Liabilities		
Loans payable, net of deferred loan costs	175,238	182,731
TOTAL LIABILITIES	**478,915**	**304,509**
Shareholders' Equity		
Common stock (1,315,389 and 1,315,389 shares authorized, 956,856 and 948,542 shares issued at December 31, 2023 and 2022, all respectively)	96	95
Preferred stock (191,033 shares authorized, 191,033 and 191,033 shares issued and outstanding at December 31, 2023 and 2022, all respectively)	19	19
Additional paid-in capital, net of offering costs	3,833,811	3,825,499
Accumulated earnings/(deficit)	2,803,040	2,105,924
TOTAL SHAREHOLDERS' EQUITY	**6,636,966**	**5,931,537**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 7,115,881**	**$ 6,236,046**

CHEERS HEALTH, INC.

STATEMENT OF OPERATIONS

Calendar years ended December 31, 2023 and 2022

See accompanying Independent Auditor's Report and Notes to the Financial Statements

	2023	2022
Revenues, net	$ 8,438,042	$ 7,852,530
Less: Cost of goods sold	1,969,675	1,671,223
Gross Profit	6,468,367	6,181,307
Operating Expenses:		
General and administrative	2,051,773	1,896,394
Research and development	632	13,383
Selling and channel fees	2,040,840	1,902,886
Advertising and marketing	1,414,399	1,160,251
Total Operating Expenses	5,507,644	4,972,914
Net operating income (loss)	960,723	1,208,393
Other Expense:		
Gain / (loss) on sale of investments	7,305	0
Depreciation (expense)	(142,748)	(91,592)
Amortization (expense)	(792)	(16,999)
Interest income (expense), net	117,025	15,442
Tax (provision) benefit	(244,396)	(296,230)
Net income (loss)	$ 697,116	$ 819,014

CHEERS HEALTH, INC.
STATEMENT OF SHAREHOLDERS' EQUITY/DEFICIT
Calendar years ended December 31, 2023 and 2022
See accompanying Independent Auditor's Report and Notes to the Financial Statements

	Common Stock		Preferred Stock		Additional paid-in capital, net of offering costs	Subscriptions Receivable	Accumulated Equity (Deficit)	Total Shareholders' Capital (Deficit)
	# Shares	$	# Shares	$				
Balance as of January 1, 2022	**940,625**	**$ 94**	**191,033**	**$ 19**	**$ 3,813,578**	**$ (80,852)**	**$ 1,286,910**	**$ 5,019,749**
Exercise of stock options	7,917	1			11,921			11,922
Collection of non-voting common stock subscriptions						80,852		80,852
Net income							819,014	819,014
Balance as of December 31, 2022	**948,542**	**$ 95**	**191,033**	**$ 19**	**$ 3,825,499**	**$ 0**	**$ 2,105,924**	**$ 5,931,537**
Exercise of stock options	8,314	1			8,312			8,313
Net income							697,116	697,116
Balance as of December 31, 2023	**$ 956,856**	**$ 96**	**$ 191,033**	**$ 19**	**$ 3,833,811**	**$ 0**	**$ 2,803,040**	**$ 6,636,966**

CHEERS HEALTH, INC.

STATEMENT OF CASH FLOWS

Calendar years ended December 31, 2023 and 2022

See accompanying Independent Auditor's Report and Notes to the Financial Statements

	2023	2022
Cash Flows From Operating Activities		
Net income (loss)	$ 697,116	$ 819,014
Adjustments to reconcile net income (loss) to net cash from (used in) operating activities:		
Depreciation and amortization	143,540	108,591
Changes in operating assets and liabilities:		
(Increase) Decrease in inventory	455,738	(628,446)
(Increase) Decrease in other current assets	(435,299)	299,368
(Increase) Decrease in security deposits	0	(5,630)
Increase (Decrease) in accounts payable	89,568	498
Increase (Decrease) in other current liabilities	92,331	(22,993)
Net Cash From (Used In) Operating Activities	1,042,994	570,402
Cash Flows From Investing Activities		
Purchase of fixed assets	(104,071)	(262,025)
Acquisition of investment securities	(52,097)	(2,015,722)
Net Cash From (Used In) Investing Activities	(156,168)	(2,277,747)
Cash Flows From Financing Activities		
Proceeds (repayment) of loans payable, net	(7,493)	(608,557)
Stock option exercise	8,312	11,922
Proceeds from securities offering, net	0	80,852
Net Cash From (Used In) Financing Activities	819	(515,783)
Net Change In Cash	887,646	(2,223,128)
Cash at Beginning of Period	2,310,540	4,533,668
Cash at End of Period	$ 3,198,186	$ 2,310,540

CHEERS HEALTH, INC.
NOTES TO THE FINANCIAL STATEMENTS
Calendar years ended December 31, 2023 and 2022
See accompanying Independent Auditor's Report

NOTE 1 - NATURE OF OPERATIONS

CHEERS HEALTH, INC. ("the Company") is a corporation organized under the laws of the State of Delaware. The Company was originally formed in the state of Texas as ThrivePlus LLC on August 13, 2014. The Company incorporated in the State of Delaware on May 9, 2017 under the name Thrive+ Health Inc. and later changed its name to Cheers Health, Inc. on December 20, 2018.

The Company sells its own line of dietary supplements through E-commerce and wholesale channels. The Company partners with U.S.-based contract manufacturers to produce its supplements. The majority of The Company's revenue comes from e-commerce. Nearly all of the Company's e -commerce revenue comes from sales on Amazon.com and the Company's website (cheershealth.com). Wholesale is the fastest growing revenue stream for the Company. Starting in the fourth quarter of 2022, the Company has gained distribution into several national and regional grocery and drug retail accounts. It has also gained significant distribution in the convenience channel over that same time frame. The Company expects these brick-and-mortar accounts to continue to increase as a percentage of the Company's overall revenue over the next few years.

NOTE 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 ("GAAP"). In the opinion of management, all adjustments considered necessary for the fair presentation of the financial statements for the years presented have been included.

Use of Estimates
The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the footnotes thereto. Actual results could differ from those estimates.

Risks and Uncertainties
The Company has a limited operating history. The Company's business and operations are sensitive to general business and economic conditions in the United States. A host of factors beyond the Company's control could cause fluctuations in these conditions. Adverse conditions may include: recession, downturn or otherwise, changes in regulations or restrictions in imports, competition or changes in consumer taste. These adverse conditions could affect the Company's financial condition and the results of its operations.

Cash and Cash Equivalents
The Company considers short-term, highly liquid investments with original maturities of three months or less at the time of purchase to be cash equivalents. Cash consists of funds held in the Company's business accounts. The Company maintains its cash with a major financial institution located in the United States of America, which it believes to be credit worthy. The Federal Deposit Insurance Corporation insures balances up to $250,000. As of December 31, 2023 and 2022, the Company had $3,198,186 and $2,310,540 cash on hand, respectively.

Sales Taxes
Various states impose a sales tax on the Company's sales to non-exempt customers. The Company collects the sales tax from customers and remits the entire amount to each respective state. The Company's accounting policy is to exclude the tax collected and remitted to the states from revenue and cost of sales.

Property and Equipment
Property and equipment are recorded at cost if the expenditure exceeds $2,500. Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized.

Expenditures for maintenance and repairs are expensed as incurred. When equipment is retired or sold, the cost and related accumulated depreciation are eliminated from the balance sheet accounts and the resultant gain or loss is reflected in income.

Depreciation is provided using the straight-line method, based on useful lives of the assets which range from three to fifteen years depending on the asset type.

The Company reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors.

Fair Value Measurements
The Company has determined the fair value of certain assets and liabilities in accordance with United States generally accepted accounting principles ("GAAP"), which provides a framework for measuring fair value.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs.

A fair value hierarchy has been established, which prioritizes the valuation inputs into three broad levels. Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

Income Taxes
The Company is taxed as a C corporation. The Company complies with FASB ASC 740 for accounting for uncertainty in income taxes recognized in a company's financial statements, which prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. FASB ASC 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Based on the Company's evaluation, it has been concluded that there are no significant uncertain tax positions requiring recognition in the Company's financial statements. The Company believes that its income tax positions would be sustained on audit and does not anticipate any adjustments that would result in a material change to its financial position.

The Company is not presently subject to any income tax audit in any taxing jurisdiction.

Revenue Recognition
The Company adopted ASC 606, Revenue from Contracts with Customers, as of January 1, 2019 (the "transition date") using the full retrospective method. There was no transition adjustment recorded upon the adoption of ASC 606. Under ASC 606, revenue is recognized when a customer obtains control of promised goods or services, in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services.

To determine revenue recognition for arrangements that an entity determines are within the scope of ASC 606, the Company performs the following steps: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract and (v) recognize revenue when (or as) the entity satisfies a performance obligation. At contract inception, once the contract is determined to be within the scope of ASC 606, the Company assesses the goods or services promised within each contract and determines those that are performance obligations and assesses whether each promised good or service is distinct. The Company then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

The Company records revenue upon delivery shipping the products to the end customers.

Sales and Marketing Expenses
The Company expenses advertising costs as they are incurred.

Recent Accounting Pronouncements
In February 2017, FASB issued ASU No. 2017-02, "Leases (Topic 842)," that requires organizations that lease assets, referred to as "lessees," to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases with lease terms of more than 12 months. ASU 2017-02 will also require disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases and will include qualitative and quantitative requirements. The new standard for nonpublic entities will be effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020, and early application is permitted. The Company is currently evaluating the effect that the updated standard will have on its financial statements and related disclosures. The Company will adopt this standard after required to and when applicable to the Company.

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 the Company, or (iv) are not expected to have a material impact the Company's financial statements.

NOTE 3 – INCOME TAX PROVISION

As discussed above, the Company is a C corporation for federal income tax purposes. The Company has incurred net tax losses until 2019 and recorded positive net income in 2023 and 2022. The Company records the provision for income taxes by applying the statutory rate to taxable income.

Tax returns once filed which will remain subject to examination by the Internal Revenue Service under the statute of limitations for a period of three years from the date it is filed.

NOTE 4 – SHARE CAPITAL

The Company has two classes of stock authorized: common and preferred. The Company has issued 956,856 shares of common stock (exclusive of a stock option pool of 133,221 shares committed to the plan and 34,155 shares not yet allocated) and 191,033 shares of series seed preferred stock.

Of the 956,856 shares of common stock, 50,757 shares are designated as non-voting common shares and were issued as part of the Regulation CF securities offering in which the Company raised $1,553,477 net of offering costs in 2021.

As part of the Company's Regulation CF offering, the funding portal, StartEngine, held approximately 6 percent of the funds for 6 months after the completion of the raise to cover any final expenses. StartEngine held back slightly less than 6 percent and $15,462 in fees was withheld from the final balance. The Company received the final $80,852 deposit, net of the fees, on April 11, 2022.

The Company compensates certain employees and advisors through the use of stock options. These stock options are given a strike price of no less than the fair market value of the underlying common stock, as determined by Section 409A reports. Historically, all Section 409A reports have been performed by Carta Valuations LLC. Because the Company uses stock options as both an incentive and a form of compensation, this often means that the Company can compensate certain employees using less cash salary compared to what they would likely require if they were not receiving stock options. If stock options were not utilized by the Company, it is likely that the Company would incur higher operating expenses to offer competitive compensation levels in hiring and to retain key employees.

NOTE 5 – LOANS PAYABLE AND OTHER DEBT

Payroll Protection Program and Economic Injury Disaster Loan
In 2020, the Company received a $150,000 Economic Injury Disaster Loan ("EIDL") from the US Small Business Administration which bears 3.75 percent interest and matures in 30 years. This loan was in addition to the $10,000 grant received under the same program which does not require repayment. The EIDL remains outstanding as of December 31, 2023.

SBA Loan
On August 30, 2019, the Company signed an agreement to obtain $721,000 in loans backed by the US Small Business Administration which bears interest at a variable rate of 2.75 percent above the prime borrowing rate. The Lender has a security interest in all of the Company's assets for the duration of this loan. The Company's chief executive, Mr. Brooks Powell, also provided a personal guarantee for this loan. The remaining balance on this loan was paid in full by the Company on March 30, 2022.

Equipment Financing
In December 2020, the Company obtained a loan of $43,281 to finance the purchase of a vehicle. The loan term is 72 months and accrues interest at a rate of 6.91 percent per annum. As of December 31, 2023, the Company had $25,238 remaining on the loan. In August 2021, the Company acquired two vending machines through financing $10,154 at a rate of 9 percent per annum except that 0 percent interest will be charged for the first 365 days of the loan. This loan to acquire the vending machines was fully repaid in 2022.

NOTE 6 – OTHER CURRENT ASSETS

The Company records various current assets together for presentation simplicity. Most material among them is Vendor Deposits, or amounts deposited with key strategic contract manufacturers for future inventory orders of the Company. As of December 31, 2023 and 2022, the Company had $383,225 and $78,225, of Vendor Deposits, respectively.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Legal Matters
In November 2, 2020, the Company received a demand letter from counsel to three individuals in California regarding certain alleged false advertising claims. Specifically, the assertions in the letter focused on the prior use of the certain marketing language by the Company. The Company's outside counsel reviewed the claims and deemed them to be without merit and sent a detailed response. The Company has not received a response to their communication.

NOTE 8 – RELATED PARTY TRANSACTIONS

Related-Party Notes
The Company does not have any material related-party transactions to disclose.

NOTE 9 – INVESTMENT SECURITIES

For the efficient allocation of capital, the Company opened an investment account to invest some of the Company's working capital with Fidelity. The funds are largely invested in short-term low-risk debt securities. The Company records these amounts as non-current assets and marks them to market at each balance sheet date as they are designated available-for-sale.

NOTE 10 – SUBSEQUENT EVENTS

Management's Evaluation

Management has evaluated subsequent events through February 7, 2025, the date the financial statements were available to be issued. Based on this evaluation, no additional material events were identified which require adjustment or disclosure in the financial statements.