Organic India USA, LLC

Consolidated Financial Report

March 31, 2019

Contents

Independent Auditor's Report	1-2
Consolidated Financial Statements	
Balance Sheet	3
Statement of Operations	4
Statement of Member's Equity	5
Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7-15

Plante & Moran, PLLC
Suite 400
1155 Canyon Boulevard
Boulder, CO 80302
Tel: 303.448.7000
Fax: 303.448.7099
plantemoran.com

Independent Auditor's Report

To the Board of Directors
Organic India USA, LLC

We have audited the accompanying consolidated financial statements of Organic India USA, LLC and its subsidiary (the "Company"), which comprise the consolidated balance sheet as of March 31, 2019 and the related consolidated statements of operations, member's equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Organic India USA, LLC and its subsidiary as of March 31, 2019 and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in the *Dependence on Parent* paragraph in Note 2, the Company has required financial assistance from its parent to sustain operations, and, due to the significance of transactions with its parent, the Company's results of operations may not be indicative of what they would be if such transactions were with a third party in arms-length transactions. Our opinion is not modified with respect to this matter.

To the Board of Directors
Organic India USA, LLC

Report on Prior Year Financial Statements

The financial statements of Organic India USA, LLC as of March 31, 2018 were audited by EKS&H LLLP, whose report dated June 1, 2018, expressed an unqualified opinion on those statements.

Plante & Moran, PLLC

September 18, 2019

Consolidated Balance Sheet

March 31, 2019 and 2018

	2019	2018
Assets		
Current Assets		
Cash	$ 2,179,711	$ 968,494
Accounts receivable - Net:		
Trade	1,849,823	1,419,347
Related party	651,299	327,548
Inventory - Net	5,552,636	6,290,204
Prepaid expenses and other current assets	135,921	225,672
Total current assets	10,369,390	9,231,265
Property and Equipment - Net	246,250	320,553
Goodwill - Net	2,958,260	-
Intangible Assets - Net	1,571,416	-
Deposits	140,237	67,395
Other Assets	107,854	14,741
Total assets	**$ 15,393,407**	**$ 9,633,954**
Liabilities and Member's Equity		
Current Liabilities		
Accounts payable:		
Trade	$ 303,190	$ 308,612
Related party	3,005,612	2,595,712
Line of credit	2,400,000	-
Notes payable - Related party - Current	250,000	-
Accrued and other current liabilities	1,575,129	1,423,761
Total current liabilities	7,533,931	4,328,085
Notes Payable - Related party	2,450,000	3,850,000
Other Long-term Liabilities		
Deferred tax liabilities	408,568	-
Deferred rent	38,115	34,564
Total liabilities	10,430,614	8,212,649
Member's Equity	4,962,793	1,421,305
Total liabilities and member's equity	**$ 15,393,407**	**$ 9,633,954**

Consolidated Statement of Operations

Years Ended March 31, 2019 and 2018

	2019	2018
Net Sales		
Sales	$ 24,330,933	$ 19,722,442
Trade spend	(6,239,958)	(5,495,710)
Total net sales	18,090,975	14,226,732
Total Delivered Costs	10,836,726	8,481,279
Gross Profit	7,254,249	5,745,453
Operating Expenses	8,326,390	5,490,213
Operating (Loss) Income	(1,072,141)	255,240
Nonoperating (Expense) Income		
Interest expense	(268,917)	(123,532)
Other income	5,456	-
Total nonoperating expense	(263,461)	(123,532)
(Loss) Income - Before income taxes	(1,335,602)	131,708
Income Tax Benefit (Expense)		
Deferred income tax benefit	41,232	-
Current income tax expense	(203,867)	-
Total income tax benefit (expense)	(162,635)	-
Consolidated Net (Loss) Income	**$ (1,498,237)**	**$ 131,708**
Amounts Attributable to Noncontrolling Interest and Organic India USA, LLC		
Consolidated net (loss) income attributable to:		
Noncontrolling interest	$ 5,163	$ -
Organic India USA, LLC	(1,503,400)	131,708
Consolidated net (loss) income	**$ (1,498,237)**	**$ 131,708**

See notes to consolidated financial statements.

Consolidated Statement of Member's Equity

Years Ended March 31, 2019 and 2018

	Member's Equity	Noncontrolling Interest	Total Equity
Balance - March 31, 2017	$ 1,289,597	$ -	$ 1,289,597
Net income	131,708	-	131,708
Balance - March 31, 2018	1,421,305	-	1,421,305
Net (loss) income	(1,503,400)	5,163	(1,498,237)
Noncontrolling interest recognized upon business combination	-	2,749,725	2,749,725
Distributions	-	(100,000)	(100,000)
Contributions	2,390,000	-	2,390,000
Balance - March 31, 2019	**$ 2,307,905**	**$ 2,654,888**	**$ 4,962,793**

Organic India USA, LLC

Consolidated Statement of Cash Flows

Years Ended March 31, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Net (loss) income	$ (1,498,237)	$ 131,708
Adjustments to reconcile net (loss) income to net cash from operating activities:		
Depreciation and amortization	519,340	59,764
Amortization of deferred finance charges	19,913	-
Deferred income tax benefit	(41,232)	-
Loss on disposal of property and equipment	56,645	-
Deferred rent	3,551	13,744
Changes in operating assets and liabilities:		
Accounts receivable	(430,476)	180,042
Related party receivable	(323,751)	277,155
Inventory	1,237,568	(1,542,796)
Prepaid expenses, deposits, and other assets	151,009	60,650
Accounts payable	(112,522)	(6,414)
Related party payable	409,900	(268,061)
Accrued and other current liabilities	42,968	357,086
Net cash provided by (used in) operating activities	34,676	(737,122)
Cash Flows from Investing Activities		
Purchase of property and equipment	(31,388)	(74,326)
Purchase of other assets	(99,646)	(14,400)
Cash paid in business combination	(2,205,875)	-
Net cash used in investing activities	(2,336,909)	(88,726)
Cash Flows from Financing Activities		
(Payments on) proceeds from note payable - related party	(1,150,000)	1,000,000
Proceeds from line of credit	2,400,000	-
Loan costs	(26,550)	-
Distributions	(100,000)	-
Contributions from member	2,390,000	-
Net cash provided by financing activities	3,513,450	1,000,000
Net Increase in Cash	1,211,217	174,152
Cash - Beginning of year	968,494	794,342
Cash - End of year	**$ 2,179,711**	**$ 968,494**
Supplemental Cash Flow Information - Cash paid for interest	$ 265,675	$ 115,772
Significant Noncash Transactions - Noncontrolling interest recognized upon business combination	$ 2,749,725	$ -

See notes to consolidated financial statements.

Note 1 - Nature of Business

Organic India USA, LLC (the "Company") a Colorado limited liability company (LLC), was formed on October 15, 2001, with its headquarters in Boulder, Colorado. Upon formation, the Company began working cooperatively with farms in northern India to grow Tulsi Holy Basil, which was used to create the flagship product, the Original Tulsi Tea. The Company then expanded its program to include other Indian herb, food, and spice crops by contracting with more Indian farmers. The Company markets certified organic, biodynamic, and ethically wildcrafted products throughout the United States and in Canada.

On April 25, 2018, the Company acquired a 50.01 percent equity stake in the CLEAN Program Corp (CLEAN). CLEAN primarily manufactures (through co-manufacturers) and sells supplements and protein shakes direct to consumers through its website.

Note 2 - Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiary, CLEAN. The equity attributable to the 49.99 percent ownership of CLEAN is reported as a noncontrolling interest. All material intercompany accounts and transactions have been eliminated in consolidation.

Dependence on Parent

During the years ended March 31, 2019 and 2018, the Company funded its activities primarily through inventory purchases and payables due to its sole member, ORGANIC INDIA Private Limited (the "Parent"), which has represented that it will continue to fund operations until such time as the Company achieves positive cash flows necessary to independently sustain operations. Management believes that cash on hand and access to the line of credit (see Note 6), combined with continued support from its sole member, will provide the Company with adequate funding to sustain its operations and continue as a going concern through at least 12 months from the date of the accompanying independent auditor's report.

Basis of Accounting

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Company has elected to adopt certain accounting alternatives for private companies, as developed by the Private Company Council, including accounting for goodwill and certain intangible assets acquired in a business combination.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles 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 the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Company considers all highly liquid instruments with an original maturity of three months or less when purchased to be cash equivalents. As of the consolidated balance sheet date and periodically throughout the year, the Company has maintained balances in various operating accounts in excess of federally insured limits.

Note 2 - Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable are stated at net invoice amounts. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal customer payment periods. In addition, a general valuation allowance is established for other accounts receivable based on historical loss experience. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. The allowance for doubtful accounts on accounts receivable balances was $40,494 and $56,456 as of March 31, 2019 and 2018, respectively.

Credit Risk, Major Customers, and Suppliers

The Company extends trade credit to its customers on terms that are generally practiced in the industry.

Two and three major customers accounted for approximately 58 percent and 59 percent of total accounts receivable as of March 31, 2019 and 2018, respectively.

Three major customers accounted for 53 percent and 65 percent of total revenue for the years ended March 31, 2019 and 2018, respectively.

The Company purchases 100 percent of its inventory from its member, as further discussed in Note 7.

Inventory

Inventory primarily consists of finished goods and is stated at the lower of cost or net realizable value, determined using the average cost method. The Company periodically assesses the need for an allowance for obsolete inventory, with obsolete inventory being expensed to cost of goods sold. The Company had an allowance for obsolete inventory of $925,888 and $83,330 as of March 31, 2019 and 2018, respectively.

Prepaid Expenses

Prepaid expenses consist primarily of prepaid travel, rent, marketing costs, and other expenses paid in advance.

Property and Equipment

Property and equipment are recorded at cost. The straight-line method is used for computing depreciation. Assets are depreciated over their estimated useful lives. The cost of leasehold improvements is depreciated over the lesser of the length of the related leases or the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense when incurred.

Goodwill

The recorded amounts of goodwill from business combinations are based on management's best estimates of the fair values of assets acquired and liabilities assumed at the date of acquisition and represents the difference between business combination consideration and the net identifiable assets acquired.

The Company has elected to apply the private company accounting alternative for goodwill, as developed by the Private Company Council. Under the accounting alternative, goodwill is amortized on a straight-line basis over a 10-year period. Additionally, customer-related intangibles and amounts ascribed to noncompete agreements have been subsumed into goodwill, and goodwill is assessed for potential impairment if events occur or circumstances change that indicate the fair value of the Company may be less than its carrying value. The Company has elected to test goodwill for impairment at the reporting-unit level.

No impairment charge was recognized during the years ended March 31, 2019 and 2018.

Note 2 - Significant Accounting Policies (Continued)

Goodwill amortization expense for the year ended March 31, 2019 was $298,540. Annual expense of $325,680 is expected to be amortized through March 31, 2028, with the remaining $27,140 expected to be amortized in April 2028.

Intangible Assets

The acquired intangible assets consist of a trade name and are subject to amortization, are stated at cost, and are amortized using the straight-line method over the estimated useful life of the assets.

Intangible amortization expense for the year ended March 31, 2019 was $158,584. Annual expense of $173,000 is expected to be amortized through March 31, 2028, with the remaining $14,417 expected to be amortized in April 2028.

Impairment or Disposal of Long-lived Assets

The Company reviews the recoverability of long-lived assets when events or changes in circumstances occur that indicate the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on the ability to recover the carrying value of the asset from the expected future pretax cash flows (undiscounted and without interest charges) of the related operations. If these cash flows are less than the carrying value of such asset, an impairment loss is recognized for the difference between estimated fair value and carrying value. The measurement of impairment requires management to make estimates of these cash flows related to long-lived assets, as well as other fair value determinations.

The Company concluded long-lived assets were not impaired as of March 31, 2019 and 2018.

Deferred Finance Charges

Deferred finance charges represent legal and other financial costs of $26,550 associated with debt financing (see Note 6), are reported net of accumulated amortization of $19,913 at March 31, 2019, and are included in other assets on the accompanying consolidated balance sheet. Such charges are being amortized to interest expense on a straight-line basis over a 12-month period, which approximates the respective term of the debt agreement.

Deferred Rent

The Company has entered into operating lease agreements for its corporate office and warehouses, some of which contain provisions for future rent escalations. The Company records monthly rent expense equal to the total of the payments due over the lease term, divided by the number of months of the lease term. The difference between rent expense recorded and the amount paid is credited or charged to deferred rent, which is reflected as a separate line item in the accompanying consolidated balance sheet.

Income Taxes

The Company follows accounting guidance for uncertainty in income taxes. After evaluating the tax positions taken, none are considered to be uncertain; therefore, no additional amounts have been recognized as of March 31, 2019 and 2018. If incurred, interest and penalties associated with tax positions are recorded in the period assessed. No interest or penalties have been assessed for the years ended March 31, 2019 or 2018.

The Company recognizes deferred tax liabilities and assets based on the differences between the tax basis of assets and liabilities and their reported amounts in the financial statements that will result in taxable or deductible amounts in future years. The Company establishes a valuation allowance for all deferred tax assets for which there is uncertainty regarding realization.

Note 2 - Significant Accounting Policies (Continued)

Revenue Recognition

Revenue is recognized by the Company upon shipment to customers when the customer takes ownership and assumes the risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists, and the sale price is fixed or determinable. Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments are provided for in the same period the related sales are recorded and are netted against gross sales.

The Company offers its customers discounts and incentives, which are recorded as a reduction to gross revenue. Revenue reductions for the years ended March 31, 2019 and 2018 were approximately $6,200,000 and $5,500,000, respectively. The Company sells its products to customers without the right of return and is not obligated to accept any returns. However, it is standard industry practice with natural foods customers to require a new item guarantee for an agreed-upon period of time, which can range from 60 to 180 days, during which time the Company will reimburse the customer through deductions or payment for any product that has not sold within that time frame. Product deductions for the years ended March 31, 2019 and 2018 were approximately $273,000 and $217,000, respectively.

Advertising Expense

Advertising expense is charged to income during the year in which it is incurred. Advertising expense for 2019 and 2018 was $1,376,036 and $1,032,097, respectively.

Upcoming Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Company's year ending March 31, 2020. The ASU permits application of the new revenue recognition guidance using one of two retrospective application methods. The Company has not determined which application method it will use and is currently assessing the impact this new standard will have on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Company's year ending March 31, 2021 and will be applied using a modified retrospective transition method to either the beginning of the earliest period presented or the beginning of the year of adoption. Upon adoption, the Company will recognize a lease liability and a corresponding right-to-use asset based on the present value of the minimum lease payments. The effects on the results of operations are not expected to be significant, as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

Subsequent Events

The Company has evaluated all subsequent events through September 18, 2019, which is the date the consolidated financial statements were available to be issued.

Note 2 - Significant Accounting Policies (Continued)

During April 2019, the Company entered into a promissory note with a third party, under which the Company is owed a principal amount of $54,000, together with accrued interest. The promissory note matures the earlier of April 2021 or upon any event of default, as defined in the promissory note agreement. Interest accrues at a rate of 2.85 percent per annum and is due at maturity.

Note 3 - Business Combinations

On April 25, 2018, the Company acquired 50.01 percent of the outstanding common shares of CLEAN for a total purchase price of $2,750,275 that was paid in cash. The Company desired to partner with CLEAN in order to further provide consumers access to healthy lifestyle products. The companies' collective product lines compliment consumers looking for natural alternatives to conventional solutions.

The following table summarizes the approximate acquisition date fair values of the assets acquired and liabilities assumed:

Cash	$ 544,400
Inventory	500,000
Prepaid expenses and other assets	134,100
Trade name	1,730,000
Goodwill	3,256,800
Accounts payable	(107,100)
Other current liabilities	(108,400)
Deferred taxes	(449,800)
Total identifiable net assets and liabilities	5,500,000
Noncontrolling interest	(2,749,725)
Total	$ 2,750,275

The fair value of the intangible assets and noncontrolling interest in CLEAN was determined on the basis of an independent valuation, which used the relief from royalty and the weighted-average return on assets approaches. This fair value measurement is based on significant inputs that are not observable in the market. Key assumptions include; forecasted revenue, cost of sales, operating expenses, capital expenditures, and net working capital.

The weighted-average amortization period for the goodwill recognized in current year business combination is 10 years.

Acquisition-related costs, which include legal, accounting, and valuation fees totaled approximately $25,000 and have been included in operating expenses in the accompanying consolidated statement of operations.

Note 4 - Property and Equipment

Property and equipment are summarized as follows at March 31:

	2019	2018	Depreciable Life - Years
Equipment	$ 339,668	$ 349,832	2-10
Software	112,598	112,598	3-5
Display equipment	71,056	88,877	5
Furniture and fixtures	81,606	77,040	3-5
Leasehold improvements	51,690	74,145	5-20
Total cost	656,618	702,492	
Accumulated depreciation	410,368	381,939	
Net property and equipment	$ 246,250	$ 320,553	

Depreciation expense for the years ended March 31, 2019 and 2018 was $49,046 and $58,277, respectively.

Note 5 - Accrued Liabilities

The following is the detail of accrued liabilities at March 31:

	2019	2018
Customer incentives	$ 864,035	$ 725,641
Other	239,850	177,076
Payroll and related	168,654	257,255
Broker commission	88,219	58,624
Professional fees	97,532	130,231
Shipping	83,431	42,276
Marketing	33,408	32,658
Total	$ 1,575,129	$ 1,423,761

Note 6 - Line of Credit

Under a line of credit agreement with a bank, the Company has available borrowings of approximately $3,000,000. Interest is payable quarterly at a rate of 2.00 percent above the base rate, as defined in the agreement (an effective rate of 4.50 percent at March 31, 2019). Advances are due on the earlier of demand and the last day of the interest period, as defined in the agreement. The line of credit is collateralized by the Company's inventory. The Parent provides a corporate guarantee of the line of credit. Under the agreement with the bank, the Company is subject to certain covenants. As of March 31, 2019, there was $2,400,000 outstanding on the line of credit.

Note 7 - Related Party Transactions

The following is a description of transactions between the Company and related parties:

Notes Payable

During 2015, the Company entered into two notes payable with OI (US) Holdings, a 60 percent majority owner of Parent. Under the terms of the notes, OI (US) Holdings loaned the Company $3,700,000. Interest accrues at 4 percent per annum during the five-year term of the notes. Interest is payable on a quarterly basis during the term of the notes until the final balloon payments in March and June 2020. A principal payment of $850,000 was made in April 2016, and another of $900,000 was made in September 2018, both at the Company's discretion. The balance outstanding on the notes as of March 31, 2019 and 2018 was $1,950,000 and $2,850,000, respectively. Accrued interest on the notes as of March 31, 2019 and 2018 was approximately $6,000 and $28,000, respectively, which is included in related party payable on the accompanying consolidated balance sheet.

During December 2017, the Company entered into a loan agreement with the Parent for borrowings of $1,000,000, of which $500,000 was disbursed in December 2017 and $500,000 was disbursed in March 2018. Interest will accrue on the outstanding balance at 5.51 percent and be payable on a half-yearly basis within 10 days of June 30 and December 31. After the Company received the first advance of $500,000 in December 2017, the loan was amended to provide for an additional advance of $2,750,000 in February 2018. The loan is to be repaid three years from the date of the first advance, December 27, 2020. Upon failure to repay the loan, the then-outstanding balance shall entitle the Parent to convert the balance into equity at the then conversion price, as defined. As of March 31, 2018, $1,000,000 was outstanding under the loan agreement. The amount was paid in full during September 2018. An addendum to this loan agreement was entered into during the current year for additional borrowings of $2,750,000 (the "Additional Loan"). As of March 31, 2019, $750,000 was outstanding under the Additional Loan. Accrued interest on the outstanding balances under the loan agreement as of March 31, 2019 and 2018 was approximately $10,000 and $8,000, respectively, which is included in related party payable on the accompanying consolidated balance sheet.

On June 14, 2018, the Company entered into a loan agreement with OI (US) Holdings for borrowings of $300,000. Interest will accrue on the outstanding balance at 5.51 percent and be payable on a quarterly basis during the term of the note through maturity in September 2018. The amount was paid in full during September 2018 such that there was no outstanding balance as of March 31, 2019.

Maturities of the above notes are as follows:

Years Ending March 31	Amount
2020	$ 250,000
2021	2,450,000
Total	$ 2,700,000

Sales

During the year ended March 31, 2018, the Company's member purchased approximately $18,000 of lemon myrtle flavor from the Company.

Purchases

The Company is a single-member LLC. During the years ended March 31, 2019 and 2018, the Company purchased approximately $5,800,000 and $7,800,000, respectively, of inventory from its member and has a payable to its member of $2,984,949 and $2,558,947 as of March 31, 2019 and 2018, respectively.

Note 7 - Related Party Transactions (Continued)

Other

For the years ended March 31, 2019 and 2018, the Parent agreed to reimburse the Company for charges incurred by the Company on behalf of the Parent in the amount of $651,299 and $1,084,689, respectively. As of March 31, 2019 and 2018, $651,299 and $327,548, respectively, had not been paid and is reflected as a related party receivable on the accompanying consolidated balance sheet.

Note 8 - Income Taxes

Effective June 2013, Organic India USA, LLC (OI) made an election to be treated as a C corporation for income tax purposes. CLEAN is a C corporation for income tax purposes and files a separate income tax return. OI and CLEAN recognize deferred tax liabilities and assets based on the differences between the tax basis of assets and liabilities and their reported amounts in the financial statements that will result in taxable or deductible amounts in future years. The Company establishes a valuation allowance for all deferred tax assets for which there is uncertainty regarding realization.

OI did not provide a current or deferred federal or state income tax provision or benefit for 2019 or 2018 because it has experienced recurring taxable losses. OI has provided a full valuation allowance on the net deferred tax asset of approximately $975,000 and $600,000 at March 31, 2019 and 2018, respectively, consisting primarily of the net operating loss carryforwards, because of the uncertainty regarding their realizability.

As of March 31, 2019 and 2018, OI had net operating loss carryforwards of approximately $3,900,000 and $2,500,000, respectively. Utilization of the net operating losses, which expire at various times starting in 2033, may be subject to certain limitations under Section 382 of the Internal Revenue Code of 1986, as amended, and other limitations under state and foreign tax laws. The net operating loss of approximately $1,600,000 generated during the year ended March 31, 2019 is not subject to expiration.

Upon the acquisition of CLEAN, the Company recognized a deferred tax liability of approximately $450,000 for the identifiable intangible assets of approximately $1,730,000 that will be amortized for financial reporting purposes, but will not be deductible for income taxes on the CLEAN tax returns.

The reasons for the difference between income taxes at the statutory rate and those on the accompanying consolidated financial statements are primarily attributable to the OI valuation allowance and the CLEAN goodwill, which, in accordance with generally accepted accounting principles, had no related deferred taxes recorded upon acquisition.

Note 9 - Operating Leases

The Company leases facilities and equipment under noncancelable operating leases. The leases require the Company to pay taxes, insurance, utilities, and maintenance costs. Total rent expense under these leases was $595,039 and $409,566 for the years ended March 31, 2019 and 2018, respectively.

Effective December 1, 2018, the Company began subleasing certain office space through March 30, 2020 for $8,850 per month. The operating lease expense schedule below is presented net of sublease income.

Note 9 - Operating Leases (Continued)

Future minimum annual commitments under these operating leases are as follows:

Years Ending March 31	Operating Lease Commitments	Sublease Rental Income	Net Operating Lease Commitments
2020	$ 482,345	$ (106,200)	$ 376,145
2021	318,575	-	318,575
2022	298,549	-	298,549
Total	$ 1,099,469	$ (106,200)	$ 993,269

Note 10 - Commitments

The Company has entered into a 2018-2019 sales contract under which the Company is committed to purchases of peppermint leaf at specified draw deadlines of February 2019, May 2019, and August 2019. At March 31, 2019, these committed purchases aggregated approximately $25,000 based on current market prices.

During March 2018, the Company entered into a website and webstore agreement with a third party under which the third party will sell and fulfill the Company's product through its online store. A set-up fee of $15,000 was paid to the third party at various points during the year ended March 31, 2019, as certain key milestone dates were achieved, as outlined in the agreement. The Company shall pay the third party a quarterly $1,000 ecommerce management fee during the term of the agreement. The term of the agreement is two years from the March 26, 2018 effective date, and will be automatically and continuously renewed for additional 18-month terms, unless canceled by either party.

During the year ended March 31, 2019, the Company has entered into independent contractor agreements with sales representatives to sell the Company's products in certain territories. The agreements continue indefinitely until canceled by either party and commissions are paid to the sales representatives at a rate of 5.00 percent of sales. A $3,000 monthly retainer fee is required under one of the agreements during an initial six-month period from February 1, 2019 through July 30, 2019.

Note 11 - Employee Benefit Plan

The Company sponsors a 401(k) profit-sharing plan available to defined eligible employees. Eligible participants are allowed to make contributions up to statutory limits. The Company will make matching contributions equal to the participant's contribution up to 5 percent of the participant's compensation. Such amounts vest immediately. The Company made matching contributions of $89,228 and $104,624 for the years ended March 31, 2019 and 2018, respectively.