



AllerPops Corp. (the “Company”) a New Mexico Corporation

Financial Statements (unaudited) and
Independent Accountant’s Review Report

Years and months ended December 31, 2021 & 2020



Mongio &
Associates CPAs LLC
Tax - Accounting - Advisory
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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To Management
AllerPops Corp.

We have reviewed the accompanying financial statements of the Company which comprise the statement of financial position as of December 31, 2020 & 2021 and the related statements of operations, statement of changes in shareholder equity, and statement of cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Going Concern

As discussed in Note 8, certain conditions indicate that the Company may be unable to continue as a going concern. The accompanying financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern. Management has evaluated these conditions and plans to generate revenues and raise capital as needed to satisfy its capital needs.

Vince Mongio, CPA, CIA, CFE, MACC
Miami, FL
November 29, 2022

Vincenzo Mongio

Statement of Financial Position

	Year Ended December 31,	
	2021	2020
ASSETS		
Current Assets		
Cash and Cash Equivalents	26,616	12,856
Accounts Receivable	300	447
Prepaid Expenses	1,991	1,914
Inventory	44,151	53,726
Total Current Assets	73,059	68,944
Non-current Assets		
Intangible Assets: Patents (pending and awarded), net of Accumulated Amortization	107,000	79,009
Security Deposits	1,400	1,400
Other Assets	-	-
Total Non-Current Assets	108,400	80,409
TOTAL ASSETS	181,458	149,353
LIABILITIES AND EQUITY		
Liabilities		
Current Liabilities		
Accounts Payable	7,877	7,086
Current Portion of Related Party Notes Payable	6,777	3,321
Deferred Rent	431	857
Accrued Liabilities	4,275	810
Total Current Liabilities	19,360	12,074
Long-term Liabilities		
Related Party Notes Payable, net of Debt Issuance Costs	291,962	195,980
Total Long-Term Liabilities	291,962	195,980
TOTAL LIABILITIES	311,322	208,054
EQUITY		
Accumulated Paid in Capital, net of Offering Costs	708,404	426,227
Accumulated Deficit	(838,267)	(484,927)
Total Equity	(129,863)	(58,701)
TOTAL LIABILITIES AND EQUITY	181,458	149,353

Statement of Operations

	Year Ended December 31,	
	2021	2020
Revenue	58,156	40,802
Cost of Revenue	16,394	9,734
Gross Profit	41,762	31,068
Operating Expenses		
Advertising and Marketing	164,705	99,231
General and Administrative	199,324.8	45,842.0
Interest	6,860	9,787
Rent and Lease	17,689	17,940
Amortization	9,523	3,106
Total Operating Expenses	398,102	175,905
Operating Loss	(356,340)	(144,837)
Other Income	3,000	-
Net Loss	(353,340)	(144,837)

Statement of Cash Flows

	Year Ended December 31,	
	2021	2020
OPERATING ACTIVITIES		
Net Income	(353,340)	(144,837)
Adjustments to reconcile Net Income to Net Cash provided by operations:		
Amortization	8,647	3,106
Accounts Payable	790	(5,068)
Accrued Interest	(810)	(13)
Accrued Liability	4,275	-
Inventory	9,574	4,518
Accounts Receivable	147	(297)
Prepays	(77)	(103)
Interest Expense	7,736	-
Deferred Expenses	(426)	(202)
Total Adjustments to reconcile Net Income to Net Cash provided by operations:	29,857	1,941
Net Cash provided by Operating Activities	(323,483)	(142,896)
INVESTING ACTIVITIES		
Patent Costs	(36,637)	-
Net Cash provided by Investing Activities	(36,637)	-
FINANCING ACTIVITIES		
Contributions	-	94,800
Distributions	(17,089)	-
Proceeds from the sale of Preferred Stock net of \$13k in Offering Costs	299,267	-
Repayment of Loans	(12,559)	(3,137)
Proceeds from the Issuance of Debt net of \$6k in Offering Costs	104,262	-
Net Cash provided by Financing Activities	373,881	91,663
Cash at the beginning of period	12,857	64,089
Net Cash increase (decrease) for period	13,760	(51,232)
Cash at end of period	26,617	12,857

Statement of Changes in Shareholder Equity

	Common Stock, No Par	Preferred Stock, No Par			Total Shareholder Equity
	# of Shares Amount	# of Shares Amount	APIC	Accumulated Deficit	
Ending Balance 12/31/2019	-	-	331,427	(340,090)	(8,663)
Shareholder Contributions	-	-	94,800	-	94,800
Net Loss	-	-	-	(144,837)	(144,837)
Ending Balance 12/31/2020	-	-	426,227	(484,927)	(58,700)
Shareholder Distributions	-	-	(17,089)	-	(17,089)
Issuance of Common Stock to Founder	7,525,561	-	-	-	-
Sale of Preferred Stock Net of \$13,837 in Offering Costs	-	443,581	299,266	-	299,266
Net Loss	-	-	-	(353,340)	(353,340)
Ending Balance 12/31/2021	7,525,561	443,581	708,404	(838,267)	(129,863)

AllerPops Corp
Notes to the Unaudited Financial Statements
December 31st, 2021 and 2020

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

AllerPops Corp, formerly Knoze Jr Corp, (“the Company”) was formed in New Mexico on April 1st, 2016. The company is the manufacturer and distributor of AllerPops, a patented supplement that relieves symptoms from seasonal and yearlong allergies such as nasal congestion, irritated throat, and red eyes. It also promotes a healthy respiratory track and balanced immune system. The Company distributes its products throughout the United States and a dozen other countries and is located in Los Alamos, New Mexico.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Our financial statements are prepared in accordance with U.S. generally accepted accounting principles (“GAAP”). Our fiscal year ends on December 31. The company has no interest in variable interest entities and no predecessor entities.

Changes in Accounting

In 2020, the company changed in method of accounting for inventory from First In First Out, to Weighted Average cost. The Company determined the change was necessary in order to accurately state its inventory and cost of goods sold. The change was applied retrospectively to the Company’s inception. The change resulted in an increase of retained earnings in the amount of \$11,755.

Use of Estimates and Assumptions

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

Cash and Cash Equivalents

Cash and cash equivalents include all cash balances, and highly liquid investments with maturities of three months or less when purchased.

Fair Value of Financial Instruments

ASC 820 “*Fair Value Measurements and Disclosures*” establishes a three-tier fair value hierarchy, which prioritizes the inputs in measuring fair value. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

These tiers include:

Level 1: defined as observable inputs such as quoted prices in active markets;

Level 2: defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and

Level 3: defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Concentrations of Credit Risks

The Company's financial instruments that are exposed to concentrations of credit risk primarily consist of its cash and cash equivalents. The Company places its cash and cash equivalents with financial institutions of high credit worthiness. The Company's management plans to assess the financial strength and credit worthiness of any parties to which it extends funds, and as such, it believes that any associated credit risk exposures are limited.

Revenue Recognition

The Company recognizes revenue from the sale of products and services in accordance with ASC 606, "Revenue Recognition" following the five steps procedure:

- Step 1: Identify the contract(s) with customers
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to performance obligations
- Step 5: Recognize revenue when the entity satisfies a performance obligation

The Company recognizes revenue when it satisfies its obligation by transferring control of the good or service to the customer. A performance obligation is satisfied over time if one of the following criteria are met:

- a. the customer simultaneously receives and consumes the benefits as the entity performs;
- b. the entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- c. the entity's performance does not create an asset with an alternative use to the entity, and the entity has an enforceable right to payment for performance completed to date.

The Company will generally fulfill its performance obligations and recognizes revenue upon the shipment of sold goods to the customer.

Advertising Costs

Advertising costs associated with marketing the Company's products and services are generally expensed as costs are incurred.

General and Administrative

General, and administrative expenses consist of payroll and related expenses for employees and independent contractors involved in general corporate functions, including accounting, finance, tax, legal, business development, and other miscellaneous expenses.

Inventories

Inventories are stated at the lower of costs (Weighted Average Cost) or market.

Property and Equipment

Property and equipment are recorded at historical cost and are depreciated over their statutory lives using straight-line. The Company has established its capitalization threshold at \$2,500. Repairs and maintenance charges, which do not increase the useful lives of the assets, are charged to expense as incurred. As of December 31, 2021 and 2020, the Company did not own any property or equipment.

Intangible Assets

Intangible assets consist of costs associated with patent applications. The Company has been awarded five United States patents which protect the Oral Microbiota Promotion Method necessary for the effectiveness of the AllerPops. The Company also has an International patent pending application for the Oral Microbiota Promotion Method which would protect the method in Japan, Australia, South Korea, China, Europe, and other countries that are members of the Patent Cooperation Treaty (PCT). Costs related to the patents awarded are capitalized and amortized over the 20 year lives of the patents using the straight-line method. Costs related to patents pending are assessed for impairment by management on an annual basis. Cost related to patents pending are deemed impaired upon the rejection of the

patent application, or when management believes that the patent is unlikely to be awarded. As of December 31, 2021 and 2020, no impairment of the patents pending was deemed necessary by management. Total amortization expense for the awarded patents for the years ended December 31, 2021 and 2020 was \$8,647 and \$3,106, respectively.

Income Taxes

The Company is subject to Corporate income and state income taxes in the state it does business. A deferred tax asset as a result of net operating losses (NOL) has not been recognized due to the uncertainty of future positive taxable income to utilize the NOL. Due to the recently enacted Tax Cuts and Jobs Act, any NOLs will be limited to 80% of taxable income generated in future years.

Recent accounting pronouncements

Management has considered all recent accounting pronouncements issued. In May 2014, Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, “Revenue from Contracts with Customers (Topic 606)” (the “New Revenue Standard”), which provides guidance for revenue recognition. Topic 606 affects any entity that enters into contracts with customers to either transfer goods or services. It supersedes the revenue recognition requirements in Topic 605, “Revenue Recognition,” and most industry-specific guidance. The standard’s core principle is that a Company should recognize certain revenues at the time the Company has completed its remaining performance obligation related to the funds.

Effective as of January 1, 2019, the Company adopted ASU 2014-09, and all subsequent amendments, which established ASC Topic 606. The Company adopted ASC 606 using the modified retrospective method applied to all revenues not completed as of January 1, 2019. The Company’s revenues come from the sale of AllerPops which payment is typically due at the point of sale. When the Company receives payment from customers before the customer has taken possession of the merchandise the amount received is recorded as deferred revenue until the sale is complete. Such performance obligations can be part of contracts with expected original durations of thirty days or less. The adoption of ASC Topic 606 did not result in a change to the accounting for the Company’s revenue streams; as such, no cumulative effect was noted, and an adjustment was not recorded to retained earnings.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). ASU 2016-02 requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous standards. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of asset not to recognize lease assets and lease liabilities. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021, and early application is permitted. The Company is currently evaluating the impact of the provisions of ASU 2016-02 on the presentation of its financial statements.

NOTE 3 – RELATED PARTY TRANSACTIONS

The Company follows ASC 850, “Related Party Disclosures,” for the identification of related parties and disclosure of related party transactions. The CEO is not currently issued shares but controls the company as the incorporator. The CEO is the lender of the Debt in Note 5.

NOTE 4 – CONTINGENCIES, COMPLIANCE WITH LAWS AND REGULATIONS

We are currently not involved with or know of any pending or threatening litigation against the Company or any of its officers. Further, the Company is currently complying with all relevant laws and regulations.

During 2021, the Company contracted with several consultants to provide various services to the Company. The Compensation terms of these agreements are that the total compensation will be paid in a combination of cash and shares of stock. Shares of stock are expected to be issued by the Company at the point in time in which they terminate their service contract with the Company or in the event of an initial public offering or an acquisition. As of 12/31/21, the total liability is \$4,275 and it is estimated that a total of 4,803 shares of common stock would need to be issued to satisfy that outstanding liability. Those shares are not issued and are not outstanding as of the date of these financial statements.

NOTE 5 – DEBT

In June of 2020, the Company entered into a loan with the Small Business Administration for a total principal balance of \$27,900 with a simple interest rate of 3.75% and monthly principal and interest payment totaling \$136. These monthly payments are scheduled to begin 12 months from the date of the promissory note and the note will mature 30 years from

the date of the promissory note.

Related Party Notes consist of the following as of December 31, 2021 and 2020.

In January of 2021, the Company refinanced the loan outstanding as of December 31, 2020 to a new loan amount of \$282,000. The refinancing provided the company with an additional \$82,699 for working capital and it extended the due date of the loan to March 1, 2051. The loan was refinanced at a fixed APR of 2.88%. The Company's monthly payment changed from \$1,078 per month to \$1,170. The Company incurred \$ 6,237 in closing cost related to this refinancing transaction, which has been recognized as debt issuance costs and is being amortized to interest expense over the life of the loan. The balance of debt issuance costs as of December 31, 2021 is \$6,063. Total interest expense related to the note payable approximated \$6,703 and \$9,855, for the years ended December 31, 2021 and 2020, respectively. The note is collateralized by shareholder owned real estate. The following is the five-year minimum principal payments due on the mortgage payable:

Year Ending December 31:	
2021	\$ 6,777
2022	6,980
2023	7,164
2024	7,403
2025 and beyond	<u>276,479</u>
	304,803
Less Current Portion	<u>(6,777)</u>
Note Payable, net of current portion	<u>\$ 298,026</u>

NOTE 6 – EQUITY

The company has authorized 15,000,000 of common shares with no par value, and 4,000,000 of preferred shares with no par value. During 2021, 7,525,561 shares of common stock were issued to the founder at no cost and \$44,131 shares of preferred stock were sold to investors for total proceeds of \$313,104 with offering costs totaling \$13,837. These comprise all of the shares of stock issued and outstanding as of 2021 and 2020, respectively.

NOTE 7 – SUBSEQUENT EVENTS

The Company has evaluated events subsequent to December 31, 2020 to assess the need for potential recognition or disclosure in this report. Such events were evaluated through November 17, 2022, the date these financial statements were available to be issued.

During 2022, a phase II, randomized, double-blind, controlled, single-centre 21-day study to investigate the efficacy of AllerPops to reduce nasal symptoms in adult volunteers with seasonal/year-long nasal allergies was completed. On October 21, 2022. The Company received the results of this clinical study and these showed that Allerpops were found to be safe and highly effective at relieving nasal symptoms in volunteers with allergies.

AllerPops is currently working on a crowdfunding campaign through WeFunder to raise a Seed round of funding. The company will issue preferred shares in the company valued at \$1.10/share, and \$0.88/share for early participants in the round, up to \$200,000.00. The company seeks up to \$1.5M, at a pre-money valuation of \$9.78M. This campaign will go live December 5, 2022.

NOTE 8 – GOING CONCERN

The accompanying balance sheet has been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The entity realized losses and negative cashflows from operations every year since inception and may continue to generate losses.

The Company's ability to continue as a going concern in the next twelve months following the date the financial statements were available to be issued is dependent upon its ability to produce revenues and/or obtain financing sufficient to meet current and future obligations and deploy such to produce profitable operating results. Management

has evaluated these conditions and plans to generate revenues and raise capital as needed to satisfy its capital needs. No assurance can be given that the Company will be successful in these efforts. These factors, among others, raise substantial doubt about the ability of the Company to continue as a going concern for a reasonable period of time. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities.

NOTE 9 – RISKS AND UNCERTAINTIES

COVID-19

Since December 31, 2021 the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses remains unclear currently. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods. Note: this disclosure assumes there is no significant doubt about the entity's ability to continue as a going concern.

We are an emerging growth company, and any decision on our part to comply only with certain reduced reporting and disclosure requirements applicable to emerging growth companies could make our common stock less attractive to investors.

We are an emerging growth company, and, for as long as we continue to be an emerging growth company, we may choose to take advantage of exemptions from various reporting requirements applicable to other public companies but not to “emerging growth companies,” including: not being required to have our independent registered public accounting firm audit our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act; reduced disclosure obligations regarding executive compensation in our periodic reports and annual report on Form 10-K; and exemptions from the requirements of holding nonbinding advisory votes on executive compensation and stockholder approval of any golden parachute payments not previously approved. We can continue to be an emerging growth company, as defined in the JOBS Act, for up to five years following our IPO.

Concentration Risk: Product

The company currently sells a single product. Should competition, patent challenges, or technological obsolescence occur there could be a material adverse effect on our operations and financial condition.