



A S S U R A N C E D I M E N S I O N S

Financial Statements and Independent Auditor's  
Report

**GCB Hops, LLC**

March 31, 2018

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## Independent Auditor's Report

Board of Directors,  
**GCB Hops, LLC**

We have audited the accompanying financial statements of **GCB Hops, LLC** (the "Company"), which comprise the balance sheet as of March 31, 2018, and the related statements of operations, members' deficit, and cash flow for the period from January 18, 2018 (inception) to March 31, 2018, 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 audits. 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 audits to obtain reasonable assurance about whether the financial statements are free of 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.

#### ASSURANCE DIMENSIONS CERTIFIED PUBLIC ACCOUNTANTS & ASSOCIATES

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### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **GCB Hops, LLC** as of March 31, 2018, and for period from January 18, 2018 (inception) through March 31, 2018 in accordance with accounting principles generally accepted in the United States of America.

*Assurance Dimensions*

Tampa, Florida  
May 4, 2018

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GCB Hops, LLC  
Balance Sheet  
As of March 31, 2018

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<u>Assets</u>	
Current assets:	
Prepaid expenses	\$ 65,000
Total current assets	<u>65,000</u>
Property and equipment	94,879
Deposits	75,000
Total assets	<u>\$ 234,879</u>
 <u>Liabilities and Members' Deficit</u>	
Current liabilities:	
Accounts payable and accrued expenses	\$ 104,879
Due to related party	<u>149,875</u>
Total current liabilities	254,754
Members' deficit	(19,875)
Total liabilities and members' deficit	<u>\$ 234,879</u>

GCB Hops, LLC  
Statement of Operations  
For the period from January 18, 2018 (inception) to March 31, 2018

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Sales, net	\$	-
Cost of sales		-
Gross profit		<u>-</u>
Operating expenses:		
Legal		31,020
Rent		25,963
Other		1,892
Operating expenses		<u>58,875</u>
Other income:		
Lease assumption		39,000
Net loss	\$	<u><u>(19,875)</u></u>

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**GCB Hops, LLC**

**Statement of Members' Deficit**

**For the period from January 18, 2018 (inception) to March 31, 2018**

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Balance, January 18, 2018	\$ -
Contributions	-
Net loss	(19,875)
Balance, March 31, 2018	<u>\$ (19,875)</u>

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GCB Hops, LLC

Statement of Cash flows

For the period from January 18, 2018 (inception) to March 31, 2018

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Cash flow from operating activities:

Net loss	\$	(19,875)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Increase (decrease) in cash due to changes in:		
Accounts payable and accrued expenses		19,875
Net cash provided by operating activities		<u>-</u>
Net change in cash		-
Cash at inception		-
Cash at end of year	\$	<u><u>-</u></u>

Supplemental disclosures of cash flow information:

Cash paid during the year for interest	\$	-
Cash paid for income taxes	\$	-
Non-cash investing and financing related to assumption of lease	\$	<u><u>234,879</u></u>



# GCB Hops, LLC

## Notes to Financial Statements

March 31, 2018

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### Note A – Company and Description of Business

GCB Hops, LLC (the “Company”) is a Florida limited liability company incorporated on January 18, 2018. The Company is an agricultural enterprise engaged the growing of hydroponic hops, and is currently the only hops hydroponic growing facility on the west coast of Florida.

### Note B – Significant Accounting Policies

#### Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

#### Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers*. The effective date for this Standard for nonpublic entities is annual reporting periods beginning after December 15, 2017, with early adoption permitted for annual periods beginning after December 15, 2016. ASU 2014-09 outlines a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. This new revenue recognition model provides a five-step analysis in determining when and how revenue is recognized. The new model will require revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration a company expects to receive in exchange for those goods or services. The Company is currently assessing the impact that adopting this new accounting guidance will have on its financial statements and footnote disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, intended to improve financial reporting about leasing transactions. The ASU affects all companies and other organizations that lease assets such as real estate, airplanes, and manufacturing equipment. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with current Generally Accepted Accounting Principles (GAAP), the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current GAAP—which requires only capital leases to be recognized on the balance sheet—the new ASU will require both types of leases to be recognized on the balance sheet. The ASU on leases will take effect for all non-public companies for fiscal years beginning after December 15, 2019.

#### Use of Estimates

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.

# GCB Hops, LLC

## Notes to Financial Statements

March 31, 2018

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### Note B – Significant Accounting Policies (continued)

#### Property and Equipment

Property and equipment are recorded at cost. Depreciation is calculated using an accelerated method over the estimated useful lives of the assets. Leasehold improvements recorded at the inception of the lease are depreciated over the life of the lease or the useful life of the improvement, whichever is shorter; for improvements made during the lease term, the depreciation period is the shorter of the useful life or the remaining lease term (including any renewal periods that are deemed to be reasonably assured). Asset lives for financial statement reporting of depreciation are:

Leasehold improvements	5 years
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#### Federal Income Taxes

The Company, with the consent of its member, has elected to be taxed under sections of federal and state income tax law, which provide that, in lieu of corporation income taxes, the members separately accounts for their share of the Company's items of income, deductions, losses and credits. As a result of this election, no income taxes have been recognized in the accompanying financial statements. The Company periodically assesses whether it has incurred income tax expense or related interest or penalties in accordance for uncertain income tax positions. No such amounts were recognized.

The Company evaluated its tax positions and determined that it has no uncertain tax positions as of March 31, 2018.

### Note C – Property and Equipment

Property and equipment was recognized as part of the operating lease described in Note D when the Company assumed \$94,879 in accounts payable for improvements to the facilities. Property and equipment consisted of the following as of March 31, 2018:

Leasehold improvements	\$ 94,879
Less: accumulated depreciation	-
	<u>\$ 94,879</u>

Depreciation expense was zero for the period ended March 31, 2018.

### Note D – Operating Lease

Effective February 1, 2018, the Company entered into an agreement to subleases property from GCB Hops Holding, LLC, a related party, for growing hops. Related to this operating lease, the Company recognized the prepaid rent and deposit of the lease. For the period ended March 31, 2018, rental expense was approximately \$26,000.

# GCB Hops, LLC

## Notes to Financial Statements

March 31, 2018

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### Note D – Operating Lease (continued)

The following is a schedule by year of the future minimum rental payments required under operating leases that have an initial or remaining non-cancelable lease term in excess of one year as of March 31, 2018:

<u>Years Ending March 31</u>	<u>Amount</u>
2019	\$ 183,599
2020	183,599
2021	183,599
2022	30,600
Total	<u>\$ 581,397</u>

### Note E – Related Party Transactions

During the period ended March 31, 2018, the Company incurred \$149,875 in start-up costs related to the operating lease described in Note D that were paid by a related party. No interest is accruing on this advance.

### Note F – Members' Deficit

Effective February 26, 2018, the Company awarded 7.5% ownership interest in the Company to two individuals that vest evenly over four years on their anniversary date.

### Note G – Subsequent Events

Subsequent events have been evaluated through May 4, 2018, which is the date the financial statements were available to be issued.