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BioStem Technologies, Inc. and Subsidiaries Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

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D. BROOKS
& ASSOCIATES CPAs

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of
BioStem Technologies, Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of BioStem Technologies, Inc. (the Company) as of December 31, 2021 and 2020, and the related consolidated statements of operations, stockholders' deficit, and cash flows for each of the years in the two-year period ended December 31, 2021, and the related notes to the consolidated financial statements ("consolidated financial statements").

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

Substantial Doubt Regarding Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has incurred operating losses, has incurred negative cash flows from operations and has an accumulated deficit. These and other factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plan regarding these matters is also described in Note 2 to the consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and 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 of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

D. Brooks and Associates CPAs, P.A.

D. Brooks and Associates CPAs, P.A.

We have served as the Company's auditor since 2017.
Palm Beach Gardens, Florida
October 7, 2022

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BIOSTEM TECHNOLOGIES INC.
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2021 AND 2020

	2021	2020
Current Assets		
Cash	$ 340,333	$ 100,199
Accounts receivable	300,137	11,891
Inventory, net	260,048	469,394
Prepaid expenses and other assets	38,083	9,507
Total current assets	938,601	590,991
Property, plant and equipment, net	1,245,363	1,381,539
Right-of-use asset, net	32,868	80,350
Intangible assets, net	210,048	267,333
Goodwill	244,635	244,635
Total assets	2,671,515	2,564,848
Current Liabilities		
Accounts payable and accrued expenses	$ 647,258	$ 666,647
Salaries payable	1,167,418	917,419
Accrued interest	1,301,670	1,004,377
Short-term finance lease	33,421	41,808
Notes payable-current	3,000,000	3,000,000
Other current liabilities	397,884	276,411
Total current liabilities	6,547,651	5,906,662
Long Term Liabilities		
Long-term finance lease	-	33,348
Convertible notes payable	-	225,000
Related party notes payable	507,861	507,861
Notes payable-long-term	1,289,905	1,647,055
Other long-term liabilities	120,207	205,137
Total long term liabilities	1,917,973	2,618,401
Total liabilities	8,465,624	8,525,063
Comittments and contigencies (Note 12)		
Stockholders' Deficit		
Series A-1 convertible preferred stock, $0.001 par value authorized, 300 shares; issued and outstanding, 300 shares as of December 31, 2021, and 2020	-	-
Series B-1 convertible preferred stock, $0.001 par value Authorized, 500,000 shares; issued and outstanding 5 shares as of December 31, 2021, and 2020	-	-
Common stock, $0.001 par value Authorized, 975,000,000 shares; issued and outstanding 9,744,180 shares and 9,083,929 shares as of December 31, 2021, and 2020	9,744	9,085
Additional paid-in capital	24,022,487	22,445,260
Treasury stock	(43,346)	(43,346)
Accumulated deficit	(29,948,285)	(28,502,902)
Noncontrolling interest	165,291	131,689
Total Stockholders' deficit	(5,794,109)	(5,960,214)
Total liabilities and stockholders' deficit	$ 2,671,515	$ 2,564,848

See notes to the consolidated financial statements.

BIOSTEM TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Net Revenue	$ 4,340,839	$ 2,467,285
Cost of goods sold	1,653,828	1,407,502
Gross profit	2,687,011	1,059,783
Operating Expenses:		
Compensation expense	3,199,357	1,905,390
Professional fees	439,587	500,139
General and administrative expenses	369,870	470,798
Depreciation and amortization expense	283,902	268,581
Total operating expenses	4,292,716	3,144,908
Loss from operations	(1,605,705)	(2,085,125)
Other Income (Expense):		
Gain on sale of subsidiary	33,925	-
Interest expense	(525,883)	(546,063)
Gain on forgiveness of loans	655,436	10,000
Other income, net	30,448	40,907
Total other income (expense), net	193,926	(495,156)
Net loss from operations before income taxes	(1,411,781)	(2,580,281)
Income taxes	-	-
Net loss	(1,411,781)	(2,580,281)
Less: Net income attributable to noncontrolling interest	33,602	24,689
Net loss attributable to BioStem Technologies, Inc.	$ (1,445,383)	$ (2,604,970)
Basic and diluted net loss per share attributable to common stockholders of BioStem Technologies, Inc.	$ (0.12)	$ (0.28)
Basic and diluted weighted average common shares outstanding	11,685,291	9,261,367

See notes to the consolidated financial statements.

BIOSTEM TECHNOLOGIES, INC. CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Series A		Series B		Common Stock						
	Shares	Amount	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Noncontrolling Interest	Total Stockholders' Deficit
Balance at December 31, 2019	300	$ -	5	$ -	9,135,392	$ 9,135	$ 21,636,868	$ (43,346)	$ (25,897,932)	$ 107,000	$ (4,188,275)
Stock Based Compensation	-	-	-	-	-	-	449,505	-	-	-	449,505
Issuance of common stock for services	-	-	-	-	48,537	49	358,787	-	-	-	358,836
Common stock returned on service contract cancellation	-	-	-	-	(100,000)	(100)	100	-	-	-	-
Net loss	-	-	-	-	-	-	-	-	(2,604,970)	24,689	(2,580,281)
Balance at December 31, 2020	300	-	5	-	9,083,929	9,084	22,445,260	(43,346)	(28,502,902)	131,689	(5,960,215)
Stock-based compensation	-	-	-	-	-	-	403,021	-	-	-	403,021
Issuance of common stock for services	-	-	-	-	404,811	405	788,581	-	-	-	788,986
Conversion of debt and accrued interest to common stock	-	-	-	-	130,440	130	260,750	-	-	-	260,880
Common stock issued for cash	-	-	-	-	125,000	125	124,875	-	-	-	125,000
Net loss	-	-	-	-	-	-	-	-	(1,445,383)	33,602	(1,411,781)
Balance at December 31, 2021	300	$ -	5	$ -	9,744,180	$ 9,744	$ 24,022,487	$ (43,346)	$ (29,948,285)	$ 165,291	$ (5,794,109)

See notes to the consolidated financial statements.

BIOSTEM TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021
AND 2020

		2021		2020
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net loss	$	(1,411,781)	$	(2,580,281)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation expense		179,024		169,278
Amortization expense		104,767		99,303
Stock-based compensation expense		403,021		449,405
Gain on sale of subsidiary		(33,925)		-
Issuance of common stock for services		788,986		358,841
Inventory allowance		-		25,000
Gain on forgivness of loans		(655,436)		(10,000)
Change in operating assets and liabilities:				
Accounts receivable		(288,246)		67,397
Inventory		209,346		(5,820)
Prepaid expenses and other assets		(28,576)		33,649
Accounts payable and accrued liabilities		(19,489)		82,466
Accrued interest		333,173		359,141
Salaries payable		249,999		264,104
Other current liabilities		59,599		76,447
Net cash used in operating activities		(109,538)		(611,070)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sale of subsidiary		35,000		-
Purchases of property, plant and equipment		(42,848)		(3,685)
Net cash used in investing activities		(7,848)		(3,685)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from Paycheck Protection Program notes		295,500		565,853
Repayments on notes payable		(21,344)		(13,797)
Borrowings on convertible note payable		-		75,000
Repayments on finance leases		(41,735)		(52,842)
Issuance of common stock for cash		125,000		-
Net cash provided by financing activities		357,421		574,214
Cash, cash equivalents, and restricted cash:				
Net change during the year		240,134		(40,538)
Balance, beginning of year		100,199		140,742
Balance, end of year	$	340,333	$	100,204
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Cash paid for taxes	$	-	$	-
Cash paid for interest	$	228,590	$	213,784
SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:				
Conversion of debt and accrued interest to shares of common stock	$	260,880	$	-
Accrued interest added to notes payable	$	-	$	26,862

See notes to the consolidated financial statements.

BioStem Technologies, Inc.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2021 and 2020

Note— 1 Organization and Description of Business

BioStem Technologies, Inc. (hereinafter "the Company"), was incorporated as Aladdin & Company Trading in Utah on July 7, 2006. Aladdin & Company Trading later changed its name to Caribbean Casino & Gaming Corporation and re-domiciled to Florida on March 2, 2009. Caribbean Casino & Gaming Corporation further changed its name to Caribbean International Holdings, Inc. on January 7, 2013. On August 28, 2014, the Company changed its name to BioStem Technologies, Inc.

The Company's fiscal year end is December 31.

COVID-19 pandemic

The coronavirus (COVID-19) pandemic around the world, and particularly in the United States, continues to present risks to the Company. While the COVID-19 pandemic has not materially adversely affected the Company's financial results and business operations through December 31, 2021, the Company is unable to predict the impact that COVID-19 will have on its financial position and operating results because of the numerous uncertainties created by the unprecedented nature of the pandemic.

The Company is closely monitoring the evolving impact of the pandemic on all aspects of its business. The Company has implemented several measures designed to protect the health and safety of its employees, support its customers, and promote business continuity.

Note—2 Going Concern and Summary of Significant Accounting Policies

Going Concern

As reflected in the accompanying consolidated financial statements, the Company incurred net losses of $1,411,781 and $2,580,281 for the years ended December 31, 2021, and 2020, respectively, and has an accumulated deficit and working capital deficit of ($29,948,285) and ($5,609,050) as of December 31, 2021, respectively. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The ability of the Company to continue its operations is dependent on management's plans, which includes the raising of capital through debt and/or equity markets, restructuring outstanding debt and additional funding from other traditional financing sources, including convertible debt and/or other term notes, until such time that funds provided by operations are sufficient to fund working capital requirements. The Company may need to incur liabilities with certain related parties to sustain the Company's operations.

The Company will require additional funding to finance the growth of its current and expected future operations as well as to achieve its strategic objectives. The Company's cash currently available, along with anticipated revenues, may not be sufficient to meet its cash needs for the near future. There can be no assurance that financing will be available in amounts or terms acceptable to the Company, if at all.

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. These financial statements do not include any adjustments relating to the recovery of the recorded assets or the classification of the liabilities that might be necessary should the Company be unable to continue as a going concern.

Summary of Significant Accounting Policies

Basis of Presentation and Consolidation

The Company has two wholly owned, non-operating subsidiaries, Nesvik Pharmaceuticals, Inc., and BioStem Wellness, Inc. (sold in 2021; see Note 14). The Company owns a controlling interest (90%) in an operating subsidiary, Bluestem Technologies, Inc. (d/b/a BioStem Life Sciences, Inc.) or "BSLS". The remaining 10% ownership of BSLS is reported as non-controlling interest ("NCI") within the consolidated financial statements. The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("US GAAP") and include the accounts of BioStem Technologies, Inc. and all its wholly-owned and majority-owned entities. All intercompany transactions have been eliminated in consolidation.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes.

Such estimates and assumptions impact both assets and liabilities, including but not limited to net realizable value of accounts receivable and inventory, estimated useful lives and impairment of long-lived assets, the valuation of intangible assets, estimated fair value of share-based payments, and the valuation of deferred tax assets.

Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the consolidated financial statements, which management considered in formulating its estimate could change in the near term due to one or more future non-conforming events. Accordingly, actual results could differ significantly from estimates.

Risks and Uncertainties

The Company's operations are subject to risk and uncertainties including financial, operational, regulatory, and other risks including the potential risk of business failure.

The Company has experienced, and in the future expects to continue to experience, variability in its sales and earnings. The factors expected to contribute to this variability include, among others: (i) the uncertainty associated with the commercialization and ultimate success of the Company's products; (ii) competition inherent in the markets where products are expected to be sold; (iii) general economic conditions; and (iv) the related volatility of prices pertaining to the cost of sales.

Cash and Cash Equivalents

The Company considers cash and cash equivalents to include all stable, highly liquid investments with maturities of three months or less. There are no cash equivalents as of December 31, 2021, and 2020.

Concentrations of Risk

Financial instruments that subject the Company to concentration of risk consist primarily of cash and trade and accounts receivable. The Company maintains its cash balances with large, high-credit quality financial institutions and, at times, such deposits may be more than federally insured limits. The Company has not experienced any losses on its deposits.

Credit risk on accounts receivable is limited due to a large portion of payments made using pre-authorized credit cards. The Company performs ongoing credit evaluations of its customers and maintains allowances for potential credit losses. For any receivables that are deemed not collectible, bad debt allowances are recorded when probable and estimable.

Two customers accounted for approximately 97% of accounts receivables as of December 31, 2021. Three customers accounted for substantially all of the accounts receivable as of December 31, 2020. For the year ended December 31, 2021, the Company generated approximately 41% of its consolidated revenue from one customer. For the year ended December 31, 2020, the Company generated approximately 36% of its consolidated revenue from two customers.

Accounts Receivable

Accounts receivable are carried at the original invoice amount less allowance for doubtful receivables which is recognized in an amount equal to the estimated probable losses net of recoveries when deemed necessary. The allowance is based on an assessment of specific identifiable troubled customer accounts considered at risk or uncollectible, an analysis of historical bad debt experience, and expected future write-offs. All amounts are deemed collectible as of December 31, 2021, and December 31, 2020, and accordingly, the Company has not recorded an allowance for doubtful accounts.

Inventory

Inventory is stated at the lower of cost or estimated net realizable value. Inventory cost is determined by the first-in, first-out (FIFO) basis. Inventory costs include raw material, labor, operating overhead, supplies, depreciation and amortization of leased lab equipment and other related costs.

The Company performs an assessment of the recoverability of inventory cost during each reporting period, and it provides a valuation allowance for slow-moving, excess, and obsolete inventories to their estimated net realizable value in the period in which the need for an allowance is first identified. Such impairment charges are recorded within cost of goods sold. For the years ended December 31, 2021, and 2020, the company recorded $0 and $25,000 of valuation allowances respectively.

The table below presents the Company's inventory values, by category, as of December 31, 2021, and 2020:

	2021	2020
Raw Materials	$ 28,576	$ 82,633
Finish Goods	257,989	413,278
Total-gross value	285,048	494,394
Less: valuation allowance	(25,000)	(25,000)
Total-net realizable value	$ 260,048	$ 469,394

Property, Plant and Equipment

Property, plant, and equipment consists of land, building and building improvements, machinery and equipment, computer and office equipment and furniture and fixtures. Property, plant, and equipment is stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method based on the estimated useful lives of the related assets as follows:

Category	Estimated Useful Life
Land	Infinite (not depreciated)
Building and Building Improvements	3–39 years
Machinery and Equipment	3-7 years
Computer and Office Equipment	3 years
Furniture and Fixtures	5-7 years

Repairs and maintenance costs are charged to expense as incurred. Upon sale or retirement of property, plant and equipment, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in the consolidated financial statements.

Goodwill, Acquired Intangible Assets, and Other Long-Lived Assets

Goodwill

Goodwill represents the excess of the purchase price of an acquired business over the fair value of the identifiable assets acquired and liabilities assumed. Goodwill is not amortized but is tested for impairment at least annually (as of December 31), or more frequently if events or circumstances indicate the carrying value may no longer be recoverable and that an impairment loss may have occurred. Circumstances that could trigger an impairment test include, but are not limited to, a significant adverse change in the business climate or legal factors, an adverse action or assessment by a regulator, or unanticipated competition. The Company operates as one segment, which is the sole reporting unit, and therefore goodwill is tested for impairment at the consolidated level.

In accordance with ASC Topic 350, *Intangibles—Goodwill and Other,* the Company first assesses qualitative factors to determine whether it is necessary to perform the quantitative goodwill impairment test. If after assessing the totality of events or circumstances, the Company determines that it is more likely than not (i.e., greater than 50% likelihood) that the fair value of the reporting unit is less than its carrying amount, then the quantitative test is required. Otherwise, no further testing is needed. Alternatively, the Company can bypass the qualitative test and proceed directly to the quantitative test. The quantitative goodwill impairment test requires the Company to estimate and compare the fair value of the reporting unit with its carrying value. If the fair value of the reporting unit exceeds the carrying value, goodwill is not impaired. If the fair value of the reporting unit is less than the carrying value, the difference is recorded as an impairment loss up to the amount of goodwill.

No impairment losses were recognized by the Company for the years ended December 31, 2021, and 2020.

Acquired Intangible Assets

The Company's intangible assets were acquired in a business combination and were recognized at fair value using generally accepted valuation methods deemed appropriate for the type of intangible asset acquired and reported net of accumulated amortization, separately from goodwill.

Intangible assets with finite lives are amortized over their estimated useful lives. Intangible assets include developed technology and customer relationships.

Amortization of intangible assets with finite lives is calculated on the straight-line method based on the following estimated useful lives:

Intellectual property	7 years
Customer relationships	7 years

Acquired intangible assets with finite useful lives are reviewed for impairment when events or changes in circumstances suggest that the carrying value of these assets may not be recoverable. No impairment losses were recognized by the Company for the years ended December 31, 2021, and 2020.

Other Long-Lived Assets

Other long-lived assets consist primarily of property and equipment. The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. Factors that the Company considers in deciding when to perform an impairment review include, but not limited to, significant underperformance of the business in relation to expectations, significant negative industry or economic trends and significant changes or planned changes in the use of the assets. When such an event occurs, the Company determines whether there has been impairment by comparing the anticipated undiscounted future net cash flows to the related asset group's carrying value. If an asset is determined to be impaired, the asset is written down to fair value, which is determined based either on discounted cash flows or appraised value, depending on the nature of the asset. The Company did not record any impairment of other long-lived assets during the years ended December 31, 2021, and 2020, respectively.

Advertising Expenses

The Company expenses advertising costs as incurred. The Company incurred $71,006 and $42,655, in advertising expenses for the years ending ended December 31, 2021, and 2020, respectively, and are included as part of general and administrative expenses within the statements of operations.

Research and Development Costs

Research and development costs include personnel costs for the Company's research and development personnel, expenses related to improvements to the manufacturing process, enhancements to the Company's currently available products, and additional investments in the product and platform development pipeline. The Company expenses research and development costs as incurred. Research and development costs were $119,647 and $57,271 for the years ended December 31, 2021, and 2022, respectively and are included as part of general and administrative expenses within the statements of operations.

Leases

On January 1, 2020, the Company adopted Accounting Standards Update ("ASU") No. 2016-02, *Leases* (ASC 842), applying the package of practical expedients to leases that commenced prior to the adoption date. Accordingly, the Company elected not to reassess the following: (i) whether any expired leases or existing contracts contain leases; (ii) the lease classification for any expired or existing leases; and (iii) initial direct costs for any existing leases. The also elected to not to apply ASC 842 to arrangements with lease terms of 12 months or less.

In accordance with ASC 842, the Company determines if an arrangement is, or contains a lease at inception or modification of the arrangement. An arrangement is, or contains a lease, if there are identified assets and the right to control the use of the assts is conveyed to the Company over a period in exchange for consideration. Control over the use of the identified asset means the Company has both the right to obtain substantially all the economic benefits from the use of the asset and the right to direct the use of the asset.

Lease right-of-use (ROU) assets and lease liabilities are recognized at commencement date and initially measured based on the present value of lease payments over the defined lease term. Interest and amortization expense are recognized over the lease term using the effective interest method. In the absence of a readily determinable interest implicitly stated interest rate, the Company discounts the expected future lease payments using an incremental borrowing rate based on information in effect at the lease commencement date. Lease terms include optional renewal periods when it's reasonably certain on the commencement date, that such option will be exercised. See Note 9, *Finance Leases and Related Obligation* for further finance lease related disclosures.

Stock Based Compensation – to Employees and Non-Employees

The Company accounts for stock options with service-based conditions, performance-based conditions and market-based conditions and restricted stock ("RSU's) to employees, directors and third-party service providers, based on their estimated fair value on the date of grant. The fair value and derived service period of stock options with market-based conditions is estimated using the Monte Carlo valuation model. The fair value of each service-based and performance-based stock option grant is estimated on the date of grant using the Black-Scholes option-pricing model. The Company has limited public float and lacks company-specific historical and implied volatility information for its stock. Therefore, the Company estimates its expected stock price volatility based on the historical volatility of publicly traded peer companies and expects to continue to do so until such time as it has adequate historical data regarding the volatility of its own traded stock price. The expected term of the Company's stock options has been determined utilizing the simplified method for awards that qualify as "plain-vanilla" options. The risk-free interest rate is determined by reference to the U.S. Treasury yield curve in effect at the time of grant of the award for time periods approximately equal to the expected term of the award. Expected dividend yield is zero since the Company has never paid cash dividends on its common stock and does not expect to pay any cash dividends in the foreseeable future.

Stock-based compensation expense associated with market-based stock options is recognized over the derived service period estimated using a Monte Carlo valuation method. Stock-based compensation associated with service-based stock options is recognized on a straight-line basis over the vesting term. Stock-based compensation expense associated with performance-based options is recognized when the performance measure is probable of being achieved.

The fair value of RSUs is based on the fair market value of the Company's stock on the date of grant. The Company recognizes stock-based compensation expense for RSUs on a straight-line basis over the vesting term.

The Company accounts for forfeitures as they occur.

Revenue Recognition

The Company records revenue from product sales in accordance with ASC 606, *Revenue from Contracts with Customers.*

The Company recognizes revenue from product sales at a point in time, when control of the Company's product has transferred to the customer, which generally occurs upon shipment. Shipping and handling cost are included as a component of revenue and are passed through to customers with an equal offsetting amount included in cost of goods sold.

This is when the Company has satisfied its performance obligations. Revenue is recognized in an amount that reflects the consideration that the Company expects to receive in exchange for the product, which is generally fixed. Based on prior experience, and the nature of the product, variable consideration resulting from product discounts is not material.

Returns from customers are not accepted. Accordingly, there is no provision for sales returns recorded for any period presented.

Disaggregation of Revenue

The following table provides information about revenue disaggregated by major products categories:

	For the years ended December 31, 2021	2020
Pain management	$ 2,219,290	$ 1,714,860
Advanced wound care	2,121,549	752,425
Total net revenue	$ 4,340,839	$ 2,467,285

Contract Balances

The following table provides information about the Company's accounts receivables and contract liabilities from contracts with customers as of December 31, 2021, and 2020:

	2021	2020
Accounts receivable	$ 300,137	$ 11,891
Contract liabilities	$ 69,974	$ 22,842

Accounts receivable represent the Company's unconditional rights to consideration for product shipped. Contract liabilities represent amounts collected from customers upfront upon placement of an order for product which is included in other current liabilities in the Company's balance sheets. The Company generally recognizes revenue from contract liabilities within the following fiscal year.

Contract Costs

The Company incurs incremental costs to obtain contracts with its customers. These costs consist primarily of sales commissions paid to our sales force. As the expected period of amortization is not expected to exceed one year, the Company has elected to expense such costs as incurred.

Cost of Goods Sold

Cost of goods sold represents costs directly related to the production of the Company's products and are costs passed through to customers. Products sold are typically shipped directly to the customer with costs associated with shipping and handling included as a component of cost of goods sold. Costs associated with any inventory write-downs resulting from quarterly physical inventory counts are also included within cost of goods sold.

Net Loss Per Share

Basic net loss per share is computed by dividing the net loss by the weighted-average number of common shares outstanding for the period. Diluted net loss is computed by adjusting net loss to reallocate undistributed earnings based on the potential impact of dilutive securities, including outstanding common stock options, restricted stock awards, warrants to purchase common stock, convertible preferred stock, and common stock issuable in connection with convertible notes. For periods in which the Company has reported net losses, diluted net loss per share is the same as basic net loss per share because dilutive common shares are not assumed to have been issued if their effect is anti-dilutive.

For the years ended December 31, 2021, and 2020, the following potentially dilutive shares were excluded from the computation of diluted loss per share as including them would have been anti-dilutive:

	2021	2020
Stock options	1,040,000	1,320,000
Stock warrants	540,596	415,956
Preferred stock	330	330
Total	1,580,926	1,736,286

Income Taxes

The Company accounts for income taxes in accordance with the asset and liability method. Under the asset and liability method, deferred assets and liabilities are recognized based upon anticipated future tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective tax bases. The provision for income taxes is comprised of the current tax liability and the change in deferred tax assets and liabilities. The Company establishes a valuation allowance to the extent that it is more likely than not that deferred tax assets will not be recoverable against future taxable income.

Deferred tax assets and liabilities are measured using the enacted tax rates that will be in effect for the years in which those tax assets are expected to be realized or settled. The Company regularly assesses the likelihood that its deferred tax assets will be realized from recoverable income taxes or recovered from future taxable income based on the realization criteria set forth in the relevant authoritative guidance. To the extent that the Company believes any amounts are not more likely than not to be realized, the Company records a valuation allowance to reduce its deferred tax assets. The realization of deferred tax assets is dependent upon future earnings, if any, the timing and amount of which are uncertain. Accordingly, as of December 31,2021 and 2020, the net deferred tax assets have been fully offset by a valuation allowance. If the Company subsequently realizes deferred tax assets that were previously determined to be unrealizable, the respective valuation allowance would be reversed, resulting in an adjustment to earnings in the period such determination is made.

In addition, the calculation of tax liabilities involves dealing with uncertainties in the application of complex tax regulations. The Company recognizes potential liabilities based on its estimate of whether, and the extent to which, additional taxes will be due. The Company accounts for uncertain tax positions in accordance with the relevant guidance, which prescribes a recognition threshold and measurement approach for uncertain tax positions taken or expected to be taken in a company's income tax return, and provides guidance on recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The guidance utilizes a two-step approach for evaluation uncertain tax positions. Step one, Recognition, requires a company to determine if the weight of available evidence indicates a tax position is more likely than not to be sustained upon audit. Step two, Measurement, is based on the largest amount of benefit, which is more likely than not to be realized on ultimate settlement. A liability is reported for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. Any interest and penalties related to unrecognized tax benefits are recorded as income tax expense.

Recently Issued Accounting Pronouncements Adopted

In January 2017, the FASB issued ASU 2017-04, *Intangibles - Goodwill and Other* (Topic 350): Simplifying the Test for Goodwill Impairment. The amendments in this ASU simplify the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test and eliminating the requirement for a reporting unit with a zero or negative carrying amount to perform a qualitative assessment. Instead, under this pronouncement, an entity would perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and would recognize an impairment change for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized is not to exceed the total amount of goodwill allocated to that reporting unit. In addition, income tax effects will be considered, if applicable. This ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020.The Company adopted ASU 2017-04 effective January 1, 2021. The adoption of ASU 2017-04 did not have a material impact on the Company's on its consolidated financial statements and related disclosures.

In August 2018, the FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820), - Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement," which makes several changes meant to add, modify, or remove certain disclosure requirements associated with the movement amongst or hierarchy associated with Level 1, Level 2 and Level 3 fair value measurements. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The Company adopted ASU 2018-13 effective January 1, 2021. Adoption of ASU 2018-13 did not have a material impact on the Company's consolidated financial statements and related disclosures.

In December 2019, the FASB issued ASU No. 2019—12 (Topic 740), *Simplifying the Accounting for Income Taxes*. This guidance simplifies accounting for income taxes by removing certain exceptions to the general principles and amending existing guidance to improve consistent application. ASU 2019-12 is effective fiscal years beginning after December 15, 2020, for public entities. The Company adopted this guidance in the year ended December 31, 2021. Adoption of ASU 2019-12 did not have a material impact on the Company's consolidated financial statements and related disclosures.

Recently Issued Accounting Pronouncements Not Yet Adopted

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses (Topic 326)*, which requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost. This standard was effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years with early adoption permitted. In November 2019, the FASB issued ASU No. 2019-10, *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815) and Leases (Topic 842): Effective Dates*, which defers the effective date of Topic 326. As a smaller reporting company, Topic 326 will now be effective for the Company beginning January 1, 2023. Adoption of this ASU is not expected to significantly impact the Company's consolidated financial statements or related disclosures.

In August 2020, the FASB issued ASU No. 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity* (ASU 2020-06). ASU 2020-06 simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts in an entity's own equity. Those instruments that do not have a separately recognized embedded conversion feature will no longer recognize a debt issuance discount related to such a conversion feature and would recognize less interest expense on a periodic basis. It also removes from ASC 815-40-25-10 certain conditions for equity classification and amends certain guidance in ASC Topic 260 on the computation of EPS for convertible instruments and contracts in an entity's own equity. An entity can use either a full or modified retrospective approach to adopt the ASU's guidance. As a smaller reporting company, the Company is required to adopt this ASU for the fiscal year beginning January 1, 2024, with early adoption permitted for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. The Company adopted this ASU January 1, 2022, and it did not have a significant impact on its consolidated financial statements and related disclosures.

In May 2021, the FASB issued ASU No. 2021-04, *Earnings Per Share (Topic 260), Debt— Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging— Contracts in Entity's Own Equity (Subtopic 815-40)* (ASU 2021-04). ASU 2021-04 updates current accounting guidance for modifications or exchanges of freestanding equity-classified written call options that remain equity-classified after modification or exchange as an exchange of the original instrument for a new instrument. The ASU specifies that the effects of modifications or exchanges of freestanding equity-classified written call options that remain equity after modification or exchange should be recognized depending on the substance of the transaction, whether it be a financing transaction to raise equity (topic 340), to raise or modify debt (topic 470 and 835), or other modifications or exchanges. If the modification or exchange does not fall under topics 340, 470, or 835, an entity may be required to account for the effects of such modifications or exchanges as dividends which should adjust net income (or loss) in the basic EPS calculation. This guidance is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The Company is required to apply the amendments within this ASU prospectively to modifications or exchanges occurring on or after the effective date of the amendment. Adoption of this ASU is not expected to significantly impact the Company's consolidated financial statements or related disclosures.

Other pronouncements issued by the FASB or other authoritative accounting standards groups with future effective dates are either not applicable or are not expected to be significant to the Company's financial position, results of operations or cash flows.

Note 3—Property, Plant and Equipment

The following table presents property, plant, and equipment as of December 31, 2021, and 2020:

	2021	2020
Building	$ 433,448	$ 433,448
Building Improvements	676,239	669,586
Land	75,000	75,000
Machinery and Equipment	809,033	772,837
Computer and Office Equipment	57,692	61,458
Furniture and Fixtures	68,065	68,065
Total property, plant, and equipment	2,119,477	2,080,394
Less: Accumulated Depreciation	(874,114)	(698,855)
Property, Plant and Equipment - Net	$ 1,245,363	$ 1,381,539

Depreciation expense was to $179,024 and $169,278 for the years ended December 31, 2021, and 2020, respectively.

Note 4—Intangible Assets Other Than Goodwill

The following table presents intangible assets other than goodwill as of December 31, 2021, and 2020:

	2021		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intellectual Property	$ 47,000	$ 22,381	$ 24,619
Customer Base	354,000	168,571	185,429
Total	$ 401,000	$ 190,952	$ 210,048

	2020		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intellectual Property	$ 47,000	$ 15,667	$ 31,333
Customer Base	354,000	118,000	236,000
Total	$ 401,000	$ 133,667	$ 267,333

During each of the years ended December 31, 2021, and 2020, amortization expense was $57,286.

Future expected amortization of intangible assets is as follows:

Year Ending December 31,	
2022	$ 57,286
2023	57,286
2024	57,286
2025	38,190
Total	$ 210,048

Note— 5 Notes Payable

The following table presents the carrying value of the Company's notes payable as of December 31, 2021, and 2020:

	2021	2020
On July 27, 2018, the Company entered into a Bridge Loan Agreement and Promissory Note, with an interest rate of 0.50% per month for the first six months and 0.75% per month through the Maturity Date of July 27, 2019. This agreement has not been repaid on the maturity date and is currently in default (1)	$ 1,000,000	$ 1,000,000
On October 5, 2018, the Company entered into a Bridge Loan Agreement and Promissory Note, with an interest rate of 0.50%,per month for the first six months and 0.75% per month through the Maturity Date of October 5, 2019. This agreement has not been repaid on the maturity date and is currently in default (1)	2,000,000	2,000,000
On February 2, 2018, the Company issued a Promissory Note and Mortgage to refinance an original mortgage that had matured in April 2017. Under the refinanced mortgage terms, the loan bore interest at 12 percent per annum, matured February 28, 2019, and required monthly payments of interest and real estate taxes. This loan was extended several times through April 2022 and was eventually refinanced on a long-term basis (2).	500,000	500,000
On December 5, 2018, the Company issued a $250,000 Promissory Note, which originally bore interest at a rate of 18 percent per annum and matured on August 30, 2019. In March 2020, the Promissory Note was amended, and the interest rate was reduced to 8 percent and the maturity date extended to March 5, 2022. The loan was extended again on. March 24, 2022, and converted into shares of common stock (3).	102,735	117,853
On April 30, 2020, the Company obtained a $263,400 Paycheck Protection Program (PPP) Term Note with PNC Bank. Loan was subject to forgiveness if certain criteria were met, if not, due in five years with 1% of interest. Payments were deferred for the first seven months of the loan. In 2021, $193,354 of the note was forgiven and the remaining balance will be repaid.	63,820	263,400
On May 7, 2020, the Company obtained a $142,452 PPP Term Note with American National Bank. The loan was subject to forgiveness if certain criteria were met. In 2021, the Company received notification of full loan forgiveness.	—	142,452
On May 18, 2020, the Company obtained a $150,000 Economic Injury Disaster Loan. Installment payments, including principal and interest, of $731 monthly, will begin 30 months from the promissory note or November 18, 2022. Interest will accrue at an annual rate of 3.75%.	150,000	150,000
On May 17, 2019, a convertible note with original principal of $400,000, was amended and restated to include in the principal unpaid interest to date of $73,450 and require interest only payments of $4,733.50 per month at a rate of 12 percent per annum with a maturity of June 1, 2022. The conversion option in the original promissory note was also eliminated.	473,350	473,350

On March 31, 2022, the note was modified to extend the maturity date of the note to December 31, 2023, and to provide for the noteholder to convert this note into shares of the Company's common stock at a $0.70 conversion price (see Note 16, *Subsequent Events*) [(2)].		
Total	4,289,905	4,647,055
Less: current portion of notes payable	(3,000,000)	(3,000,000)
Notes payable-long-term	$ 1,289,905	$ 1,647,055

[(1)] In August 2019, the Company received notice from GMA Bridge Fund, LLC that the Company is in default for the loan that matured on July 27, 2019, for non-payment and gave the Company notice that the note which matured on October 5, 2019, was also in default. The Company continues to accrue interest on these loans totaling $3.0 million and is in discussion with the lender to renegotiate the terms of these notes.

[(2)] As disclosed in Note 16, *Subsequent Events,* this mortgage was refinanced on a long-term basis with principal now due in 2024. Therefore, the principal outstanding has been reflected as a long-term liability as of December 31, 2021, and 2020.

[(3)] As disclosed in Note 16, *Subsequent Events,* these notes were amended in March 2022, to extend the maturity date to December 31, 2023. Therefore, the principal outstanding has been reflected as a long-term liability as of December 31, 2021, and 2020.

In addition to the above PPP loan, the Company received an additional $295,500 under the PPP loan program in February 2021. The PPP loan proceeds were forgiven in their entirety in July 2021. During the year ended December 31, 2021, and 2020 the Company recognized a total gain from PPP related loan forgiveness of $631,105 and $10,000, respectively, which is included in gain on forgiveness of loans in the accompanying consolidated statement of operations.

Future maturities related to note payable are as follows:

Year Ending December 31,		
2022	$	3,000,000
2023		598,426
2024		522,463
2025		28,971
2026		3,575
Thereafter		136,470
Total	$	4,289,905

Note— 6 Related Party Notes Payable—Long-Term

The following table presents the carrying value of related party notes payable as of December 31, 2021, and 2020:

	2021	2020
On October 4, 2018, the Company issued a Promissory, to a shareholder and father of the Company's CEO, at an interest rate of 8 percent per annum and a maturity date of December 31, 2021. The note was amended on March 25, 2022 [(4)].	$ 250,000	$ 250,000
On February 5, 2018, the Company issued a Promissory, to a shareholder and father of the Company's CEO at an interest rate of 8 percent per annum, with a maturity date of December 31, 2021. The note was amended on March 25, 2022[(4)].	50,000	50,000

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Between September 2017 and July 2018, the Company issued various Promissory Notes to the Company's former CEO, at an interest rate of 8 percent per annum all with a maturity date of December 31, 2021. The note was amended on March 25, 2022[(4)].	191,000	191,000
On July 12, 2018, the Company issued a promissory note to the Company's CEO for $20,030, accruing interest at a rate of 8 percent per annum with maturity date of December 31, 2021. The note was extended on March 25, 2022 [(4)].	16,861	16,861
Total Related Party Notes Payable—Long-term	$ 507,861	$ 507,861

[(4)] This note was amended on March 25, 2022, to extend the maturity date to December 31, 2023, Therefore, the principal outstanding has been reflected as a long-term liability as of December 31, 2021, and 2020. See Note 16, Subsequent Events.

Note— 7 Convertible Notes Payable

The table below presents convertible notes payable as of December 31, 2021, and 2020:

	2021	2020
On December 23, 2019, and January 7, 2020, the Company issued Convertible Promissory Notes totaling $225,000 with an interest rate of 8 percent per annum and maturity date of December 23, 2020. The Promissory Notes were convertible at $2.00 at the Company's sole discretion. On January 25, 2021, the Company amended these notes to extend the maturity date to December 31, 2021. On December 23, 2021, the Company elected to convert the notes principal and unpaid interest into 130,440 shares of the Company's common stock at the stated $2.00 conversion price.	$ —	$ 225,000
Total Convertible Notes Payable	$ —	$ 225,000

Interest expense related to the various notes disclosed in Notes 5, 6, and 7 for the years ended December 31, 2021, and 2020 was $465,196 and $459,588, respectively, interest expense incurred on the related party notes payable (see Note 6) of $40,629 during the years ended December 31, 2021, and 2020. Further, as of December 31, 2021, and 2020, accrued interest related to the notes is $1,301,670 and $1,004,477, respectively, as presented on the consolidated balance sheets, which includes $145,625 and $104,996 of accrued interest on related party notes payable.

Note—8 Other Long-Term Liabilities

Other current and long-term liabilities consist of settlements related to finance arrangements for equipment abandoned by the Company but for which there is an ongoing obligation. The table below presents the Company's other long-term liabilities as of December 31, 2021, and 2020:

	2021	2020
Equipment finance lease #1: The original agreement was dated September 12, 2018, for a total amount due of $142,345. The Company was in default for non-payment as of December 31, 2020. The Company settled with the lender on July 15, 2021, for a total of $105,000 to be paid as follows: (1) $1,800 per month beginning July 16, 2021, through June 16, 2022; (2) payments of $2,000 per month beginning July 16, 2022, through June 16, 2023; and (3) payments of $2,475 per month from July 16, 2023, through June 16, 2025. As a result of the settlement, the Company recognized a gain on forgiveness of debt in the amount of $24,130 as a result of the settlement	$ 94,200	$ 129,130
Equipment finance lease #2: The original agreement with one finance company dated September 2018 for a total amount due of $130,621; stated interest rate of 11.9% to be repaid with 60 monthly payments of $2,886.	65,982	91,030
Equipment finance lease #3: The original agreement with one finance company dated December 2018 for a total amount of $43,837; stated interest rate of 12.26% to be repaid with 60 monthly payments of $983.	20,825	29,480
Total	$ 181,007	$ 249,640
Less: current portion (included in other current liabilities)	(60,800)	(44,503)
Total-Other long-term liabilities	$ 120,207	$ 205,137

Future cash commitments related to other long-term liabilities are as follows:

Year Ending December 31,		
2022	$	60,800
2023		75,657
2024		29,700
2025		14,850
Total	$	181,007

Note— 9 Finance Leases and Related Obligations

The Company leases certain specialized equipment under leases classified as finance leases. The equipment leases were entered into between April 2017 and August 2019 maturing between January 2022 and February 2023 and include bargain purchases options at the end of the leases. The Company's significant judgments include determining whether an arrangement is or contains a lease, the determination of the discount rate used to calculate the lease liability, and whether lease incentives are reasonably certain to occur in the initial measurement of the lease liability. Finance lease assets and lease liabilities are recognized at commencement date and initially measured based on the present value of lease payments over the defined lease term. Interest and amortization expense are recognized over the lease term using the effective interest method.

A contract is or contains an embedded lease if the contract meets all the below criteria:

- There is an identified asset

- The Company has the right to obtain substantially all the economic benefit of the asset; and
- The Company has the right to direct the use of the asset.

For initial measurement of the present value of lease payments and for subsequent measurement of lease modifications, the Company is required to use the rate implicit in the lease. The Company uses its incremental borrowing rate, which is a collateralized rate, for leases without a rate implicit in the lease. The application of the incremental borrowing rate is performed on a lease-by-lease basis and approximates the rate at which the Company could borrow, on a secured basis for a similar term, an amount equal to its lease payments in a similar economic environment. The weighted average interest rates for the Company's finance leases is 7.58%

The following table summarizes the Company's finance lease assets and lease liabilities as of December 31, 2021, and December 31, 2020:

Balance Sheet Classification		**2021**	**2020**
Assets			
Finance–noncurrent	ROU asset, net	$ 32,868	$ 80,350
Liabilities			
Finance–current	Short-term finance lease	33,421	41,808
Finance–noncurrent	Long-term finance lease	—	33,348
Total lease liabilities		$ 33,421	$ 75,156

All obligations under finance leases are expected to be fully repaid within the year ended December 31,2022.

Note— 10 Stockholders' Deficit

Series A-1 Convertible Preferred Shares

The Company has designated 300 shares of preferred stock as "Series A-1 Convertible Preferred Shares".

The Series A-1 Convertible Preferred Shares entitled their holders to a number of votes equal to the number of shares issuable upon conversion times 2,000,000 granting the holders of Series A-1 Convertible Preferred Shares, as a group, effective control of the Company.

Series A-1 Convertible Preferred Shares are convertible, at the option of the holders, or automatically upon a Qualified Public Offering resulting in gross proceeds to the Company of not less than $30 million, in whole but not in part, into 300 shares of common stock.

Holders of Series A-1 Convertible Preferred Shares are not entitled to receive dividends, out of assets legally available thereof, prior and in preference to any declaration or payment of any dividend on the common stock or any other capital stock of the Corporation.

As of December 31, 2021, and 2020, there are 300 shares of Series A-1 Convertible Preferred Shares outstanding.

Series B-1 Convertible Preferred Shares

The Company has designated 500,000 shares of preferred stock as "Series B-1 Convertible Preferred Shares".

The Series B-1 Convertible Preferred Shares entitle their holders to votes equal to the number of shares issuable upon conversion.

Each Series B-1 Convertible Preferred Share is convertible, at the option of the holders, or automatically upon a Qualified Public Offering resulting in gross proceeds to the Company of not less than $30 million, in whole but no in part, into 6 shares of common stock.

The Series B-1 Preferred Shares shall be entitled to receive an annual dividend, payable in newly issued common stock, in an amount equal to ten percent of the number of then existing Series B-1 Preferred Shares issued and outstanding prior and in preference to any declaration or payment of any dividend on the common stock or any other capital stock of the Corporation. This Dividend shall be cumulative.

As of December 31, 2021, and 2020, there are 5 shares of Series B-1 Convertible Preferred Shares outstanding.

Common Stock

The Company is authorized to issue 975,000,000 shares of common stock with a par value of $0.001 per share as of December 31, 2021, and 2020.

During the year ended December 31, 2021, the Company completed private sales of 125,000 common stock units at $1.00 per unit for gross proceeds of $125,000. Each unit consisted of one share of common stock and one common stock purchase warrant at an exercise price of $2.00. The warrants have a five-year term. No units were issued for cash during the year ended December 31, 2020.

Common Stock Warrants

The following table presents the Company's common stock warrant activity for the years ended December 31, 2021, and 2020:

	Warrants	Weighted Average Exercise Price	Remaining Term (Years)
Outstanding as of January 1, 2020	583,456	$ 4.65	2.74
Expired	(80,000)	2.50	—
Forfeited	(87,500)	5.00	—
Outstanding as of December 31, 2020	415,956	4.99	2.25
Granted	125,000	2.00	
Outstanding and exercisable as of December 31, 2021	540,946	$ 4.30	1.99

Warrants outstanding as of January 1, 2020, consisted primarily of warrants to service providers. Stock-based expense related to warrants which vested over a stated service period for the years ended December 31, 2021, and 2020 was zero and $198,140, respectively.

Note— 11-Stock Based Compensation

Stock Options

The fair value of service-and performance-based stock options granted to employees and non-employees was estimated on the grant date using the Black-Scholes valuation model with the following assumptions:

	2021	2020
Dividend yield	0%	0%
Expected term	3 - 6 years	3 - 5 years
Risk-free interest rates	0.19% - 0.75%	0.11% - 0.52%
Expected volatility	125.00% - 160.14%	141.87% - 154.71%

Dividend Yield – The dividend yield is assumed to be zero as the Company has never paid dividends and has no current plans to do so.

Expected Term – The expected term represents the period that the Company's stock-based awards are expected to be outstanding. The Company determines the expected term using the simplified method as the Company does not have sufficient historical information to develop reasonable expectations about future exercise patterns and post-vesting employment termination behavior. The simplified method deems the term to be the average of the time-to-vesting and the contractual life of the options.

Expected Volatility – Since the Company does not have a sufficient trading history of its common stock, the expected volatility is derived from the average historical stock volatilities of several unrelated public companies within the Company's industry that the Company considers to be comparable to its business over a period equivalent to the expected term of the stock option grants.

Fair Value of Common Stock– The fair value of common stock is based on the closing price of the Company's common stock, as reported on Over-the-Counter Market ("OTC") on the date of grant.

The following table summarizes activity under the Company's stock option plan:

	Number of shares underlying options		Weighted average exercise price	Weighted average remaining contractual term
Options outstanding as of December 31, 2019	—		—	—
Granted	1,320,000		1.00	—
Forfeited	—		—	—
Options outstanding December 31, 2020	1,320,000	$	1.00	4.76
Granted	780,000		1.06	
Forfeited	(1,060,000)		1.00	
Options outstanding December 31, 2021	1,040,000		1.05	7.98
Vested and exercisable as of December 31, 2021	490,000		1.01	6.14

The weighted-average grant date fair value of options granted during the years ended December 31, 2021, and 2020 was $.94 and $1.00, respectively. As of December 31,2021, total unrecognized stock-based compensation expense, related to options, was $364,058 which is expected to be recognized over a straight-line basis over a weighted-average period of 1.84 years.

Market-Based Option Grant

In August 2021, the Company approved a stock option grant to an employee of the Company exercisable for up to 400,000 shares of the Company's common stock provided that certain market capitalization targets are met. Market capitalization is the product of (i) the number of shares of common stock outstanding and (ii), the closing price per share of common stock as quoted on the OTC market. This stock option grant does not contain a time vesting or service condition other than, the employee must be an employee when the market capitalization targets are met for the stock options to vest.

The market capitalization targets, as well as the number of options that vest, are shown in the table below:

Market Capitalization Targets	Number of Options Vested
On the date the market capitalization first exceeds $10,000,000	100,000
On the date the market capitalization first exceeds $20,000,000	100,000
On the date the market capitalization first exceeds $30,000,000	100,000
On the date the market capitalization first exceeds $40,000,000	100,000

The Company estimated the fair value of this market-based award using Monte Carlo simulation. The Company estimates the expected term based on a future exercise assumption. The weighted average derived service period for this award is 1.2 years. The optionee has up to 10 years to exercise any vested options. The risk-free interest rate is based on the United States Treasury yield curve in effect at the time of grant for zero-coupon U.S. Treasury notes. The expected volatility is derived from the average historical stock volatilities of several public companies within the Company's industry that the Company considers to be comparable to its business over a period equivalent to the derived term of the stock option grant award. The following assumptions were used to estimate the fair value of this award:

Stock price on date of grant	$ 1.07
Exercise Price	$ 1.07
Dividend yield	—%
Risk-free interest rate	1.45%
Expected volatility	125%

The total grant date fair value of this market-based award is estimated at $330,000. For the year ended December 31, 2021, the Company recognized $203,356 of share-based compensation as a component of general and administrative expense for this award. Unrecognized share-based compensation for this award is $126,644, all of which is expected to be recognized within the year ended December 31, 2022.

Performance-Based Option Grant

On March 30, 2020, the Company entered into a one-year consulting agreement with the chairman of the medical advisory board ("Optionee") to identify and recruit clinical members for specific specialties to the medical advisory board. He was also engaged to enroll, manage, and carry out patient case studies in urology.

Under this arrangement, the Optionee was (1) granted an option to acquire 20,000 shares of common stock monthly at an exercise price of $1 per share fully vested and exercisable on grant date ("Monthly Options") and (2) was granted an option to acquire 1,000,000 options subject to certain performance measures bring met ("Long-Term Options"). The grant date fair value of these awards was estimated by using the Black-Scholes model with the assumptions disclosed above. Any Monthly Options or Long-Term Options vested under this arrangement expire on the fifth anniversary of the grant date. The consulting contract ended on March 31, 2021, and the long-term options were forfeited. As of December 31, 2021, and 2020, 280,000 and zero of Monthly Options and Long-Term options have vested, respectively. None of the vested Monthly Options have been exercised as of December 30, 2021.

Restricted Stock Awards

The fair value of restricted stock awards is based on the closing price of the Company's common stock on the OTC market The following table summarizes the restricted stock award activity:

	Number Outstanding	**Weighted Average Grant Date Fair Value**
Unvested balance-January 1, 2021	217,644	$ 4.34
Granted	375,196	1.25
Vested	(438,528)	4.34
Forfeited/canceled	—	—
Unvested balance-December 31, 2021	154,312	4.58

Restricted Stock Units

The Company issues restricted stock units with immediate vesting and service based vesting conditions to various service providers. RSUs with service-based vesting are expensed over the related service period. During the year ended December 31, 2021, the Company issued 375,196 of fully vested restricted common stock to service providers resulting in $788,986. The Company estimated the fair value of the shares based on the price as quoted on the OTC market on the date of grant.

During the year ended December 31, 2020, the Company issued 48,537 shares of fully vested restricted common stock to service providers resulting in $358,836 of stock-based compensation. The Company estimated the fair value of the shares based on the price as quoted on the OTC market on the date of grant.

The unrecognized share-based compensation related to restricted stock awards requiring future service is $472,392 as of December 31, 2021 and will be recognized over approximately 1.4 years.

Total stock-based compensation expense for all stock-based awards, including common stock options, restricted stock awards, and common stock warrants (see Note 10) was $1,192,007 and $808,341 for the years ended December 31, 2021, and 2020, and is included in General and Administrative expenses within the statements of operations.

Note— 12 Commitments and Contingencies

Legal Matters

From time to time, claims are made against the Company in the ordinary course of business, which could result in litigation. Claims and associated litigation are subject to inherent uncertainties and unfavorable outcomes could occur, such as monetary damages, fines, penalties, or injunctions prohibiting the Company from selling one or more products or engaging in other activities. The occurrence of an unfavorable outcome in any specific period could have a material adverse effect on the Company's results of operations for that period or future periods. The Company is not presently a party to any pending or threatened legal proceedings.

Employment Agreements

The Company has employment contracts with its Chief Executive Officer and Chief Operating Officer are to receive a salary plus stock compensation and bonuses based on board approval. These executives have not received their full salaries and the unpaid portion is included in Salaries Payable on the consolidated balance sheets as of December 31, 2021, and 2020, totaling $1,167,418, and $917,419, respectively. Included in Salaries Payable is $243,995 owed to the Company's former CEO as of December 31, 2021, and 2020.

401(k) Plan

In 2021, the Company began to offer the BioStem Inc. Employee 401(k), ("Retirement Plan"), a defined contribution plan. Under the Retirement Plan, eligible employees may defer a portion of their pretax salaries, but not more than the statutory limits. The Retirement Plan provides for a discretionary employer cash matching contribution. The Company plans to make matching cash contributions equal to 100% of employee contributions not exceeding 5%. The Company's total expense for planned matching contributions was immaterial for the year ended December 31, 2021.

Note— 13 Income Taxes

For the years ended December 31, 2021, and 2020, the loss before income taxes was ($1,411,781) and ($2,580,283), respectively. The Company had effective tax rate of (0.00%) and (0.00%) for the years ended December 31, 2021, and 2020, respectively. The reconciliation of the statutory federal income tax rate to the Company's effective tax rate for the years ended December 31, 2021, and 2020 were as follows:

	2021	2020
Tax at federal statutory rate	(21.00%)	(21.00%)
Permanent differences	(4.99%)	—
State tax	(5.10%)	(3.33%)

Change in valuation allowance	36.00%	24.33%
Other	(4.60%)	(3.31%)
Total	(0.00%)	(0.00%)

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due. Deferred taxes relate to differences between the basis of assets and liabilities for financial and income tax reporting which will be either taxable or deductible when the assets or liabilities are recovered or settled.

As of December 31, 2021, the Company has a net operating loss carryforward of approximately $30,761,645 available to offset future taxable income indefinitely. Utilization of future net operating losses are subject to annual limitations and may be further limited due to potential ownership changes under Section 382 of the Internal Revenue Code.

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based on consideration of these items, management has determined that enough uncertainty exists relative to the realization of the deferred income tax asset balances to warrant the application of a full valuation allowance as of December 31, 2021, and 2020. For the years ended December 31, 2021, and 2020, the change in valuation allowance was an increase of $492,369 and $536,916, respectively.

The table below presents the effects of temporary differences that gave rise to significant portions of deferred tax assets as of December 31, 2021, and 2020:

	2021	2020
Deferred tax assets:		
Net operating loss carryforward	$ 7,143,358	$ 7,017,266
Stock-based compensation	490,522	198,220
Accrued expenses	286,272	224,968
Intangible assets	21,930	21,657
Gross deferred tax assts	7,942,082	7,462,110
Less valuation allowance	(7,879,992)	(7,376,097)
Total deferred tax assets	62,090	86,013
Deferred tax liability:		
Depreciation	(62,090)	(86,013)
Net deferred tax assets	$ —	$ —

There was no income tax expense for the years ended December 31, 2021, and 2020 due to the Company's net losses.

The Company has federal and Florida net operating loss ("NOLs") carryforwards of approximately $29.1 million as of December 31, 2021. The federal NOLs generated in the years ended December 31, 2014, through 2017 of $13.8 million begin to expire in 2034 and can be used to offset taxable income in its entirety. NOLs generated after December 31, 2017, of $15.3 million, have an infinite carryforward period but are subject to 80% deduction limitation based upon pre-NOL deduction taxable income.

Uncertain Tax Positions:

As of December 31, 2021, the Company does not have any unrecognized tax benefits.

Note—14 Sale and Deconsolidation of Subsidiary

In February 2021, the Company sold 100% of its fully owned subsidiary, BioStem Wellness, Inc. ("Wellness") for total consideration of $35,000. As a result of the sale, the Company recognized a gain of $33,925 for the excess of its investment over the consideration received in the sale. Wellness was a nonoperating subsidiary prior to its sale and therefore, was not significant to the consolidated results of the Company.

Note— 15 Subsequent Events

The Company has evaluated all transactions and events after the balance sheet date through October 7, 2022, the date on which these financials were available to be issued, and except as already included below. has determined that no additional disclosures are required.

In March 2022, the Company extended the term of the $500,000 promissory note (Note 6) on its corporate headquarters to April 30, 2022. On April 29, 2022, the Company refinanced it's $500,000 promissory note on its facilities. The Company entered an $850,000 mortgage note at 8.25% *per annum* with a maturity date of May 1, 2024. Between June 1, 2022, and the maturity date, the Company is required to make monthly interest only payments of $6,021 with a balloon payment of $850,000 due May 1, 2024. The loan is secured by the corporate headquarters building.

In March 2022, the Company restructured its outstanding debt with unrelated and related parties that had matured (see Notes 6 and 7) except for the $3,000,000 GMA loan for the which Company remains in restructuring negotiations. The terms of the restructuring extend the maturity dates of the loans to December 31, 2023, and add certain conversion features at the noteholders' election which allows the noteholder to convert principal and interest into shares of the Company's common stock at a conversion price of $0.70.

In March 2022, the Board of Directors elected an independent board member to the board of directors. As part of the appointment, and for compensation, the Company entered into an option award agreement to grant 7,452 fully vested stock options at an exercise price of $1.34 per share on March 30, 2022.

In March 2022, a holder of one of the restructured notes discussed above elected to convert $98,763 in principal and accrued interest outstanding into 141,090 shares of the Company's common stock at stated conversion price of $.70.

In March 2022, the Board of Directors approved that the Company convert unpaid, accrued salaries owed to officers and certain employees of the company in the amount of $1,217,419, at a conversion rate of $0.70, into 1,739,169 shares of the Company's common stock.

In May 2022, the Company repaid $26,875 in principal and interest due to the CEO of the Company in connection with a note payable (see Note 6).

In July 2022, the former CEO of the Company converted his outstanding principal and interest due of $240,714 under his convertible note into 343,877 shares of the Company's common stock at $0.70 per share.

In July 2022, the Board of Directors approved and amended executive employment agreements for the Company's CEO and COO. Commencing July 15, 2022, the CEO and COO annual base salary is $275,000 each. Additionally, the CEO and COO each are granted 2,250,000 options at an exercise price of $2.00 with vesting of options based on Sustained Market Capitalization targets as follows:

Vesting Trigger	Number of Options Vested
On the date the Sustained Market Capitalization first equals or exceeds $29,268,520	450,000
On the date the Sustained Market Capitalization first equals or exceeds $58,537,040	450,000
On the date the Sustained Market Capitalization first equals or exceeds $117,074,080	450,000
On the date the Sustained Market Capitalization first equals or exceeds $175,611,120	450,000
On the date the Sustained Market Capitalization first equals or exceeds $234,148,160	450,000

Sustained Market Capitalization is the average market capitalization for the 90 trading days immediately prior to the date of such determination. Upon vesting, the options may be exercised for up to 10 years after the date of grant.

In September 2022, the Board of Directors elected an independent board member to the board of directors. As part of the appointment, the board member is to receive $10,000 cash compensation annually and $30,000 of restricted stock with the number of shares equal to $30,000 divided by the average 20 day trailing average closing price on the date of grant. In the event this director is appointed and serves as the Chair of the Audit committee, they will be entitled to additional cash compensation of $10,000 and an additional $10,000 of restricted stock with the number of shares equal to $10,000 divided by the average 20 day trailing average closing price on the date of grant.