

KELYNIAM GLOBAL, INC.
FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED
SEPTEMBER 30, 2023 AND 2022

KELYNIAM GLOBAL, INC.
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SEPTEMBER 30, 2023 AND 2022

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LaQuerreAudi

certified public accountants

Independent Accountant's Compilation Report

To the Board of Directors
Kelyniam Global, Inc.
Collinsville, CT

Management is responsible for the accompanying financial statements of Kelyniam Global, Inc., (a Corporation), which comprise the balance sheet as of September 30, 2023 and 2022, and the related statement of income, changes in stockholders' equity and cash flows for the nine months then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements in Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The supplementary information contained in Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management. The supplementary information was not subject to our compilation engagement. We have not audited or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

Respectfully,

LaQuerre Audi, LLC

LaQuerre Audi, LLC
Certified Public Accountants
Plainville, CT 06062

November 9, 2023

KELYNIAM GLOBAL, INC.
BALANCE SHEET
SEPTEMBER 30, 2023 AND 2022

ASSETS

	2023	2022
<u>CURRENT ASSETS</u>		
Accounts receivable, net of allowances	\$ 251,456	\$ 462,383
Inventory	36,747	52,346
Prepaid expenses	15,221	91,795
TOTAL CURRENT ASSETS	303,424	606,524
<u>PROPERTY AND EQUIPMENT</u>		
Manufacturing equipment	569,049	565,642
Computer equipment	91,588	86,147
Furniture and fixtures	8,043	8,043
Leasehold improvements	323,162	323,162
	991,842	982,994
Less: Accumulated depreciation	(620,516)	(572,072)
TOTAL PROPERTY AND EQUIPMENT	371,326	410,922
<u>OTHER ASSETS</u>		
Operating lease - right-of-use asset	143,832	82,926
Intangible assets, net	12,386	-
Security deposit	8,000	8,000
Deferred income tax asset	491,000	396,300
TOTAL OTHER ASSETS	655,218	487,226
TOTAL ASSETS	\$ 1,329,968	\$ 1,504,672

See accompanying notes and independent accountant's compilation report

KELYNIAM GLOBAL, INC.
BALANCE SHEET
SEPTEMBER 30, 2023 AND 2022

LIABILITIES & STOCKHOLDERS' EQUITY

	2023	2022
<u>CURRENT LIABILITIES</u>		
Line of credit	\$ 170,085	\$ 125,777
Accounts payable	137,846	153,730
Accrued expenses	105,871	110,873
Deferred revenue	-	88,762
Current portion of operating lease liabilities	33,462	32,484
Current portion of officer loan	114,983	84,260
Current portion of note payable	12,659	12,459
	574,906	608,345
<u>LONG-TERM LIABILITIES</u>		
Operating lease liabilities, less current portion	110,370	50,442
Note payable, less current portion	221,052	118,258
	331,422	168,700
TOTAL LONG-TERM LIABILITIES	331,422	168,700
TOTAL LIABILITIES	906,328	777,045
<u>STOCKHOLDERS' EQUITY</u>		
Common stock \$.001 par value, 60,000,000 shares authorized, 29,923,145 shares issued and outstanding in 2023;		
28,993,145 shares issued and outstanding in 2022	29,923	28,993
Additional paid in-capital	2,882,478	2,806,437
Retained earnings (accumulated deficit)	(2,474,956)	(2,093,998)
Treasury stock, at cost (237,583 shares in 2023 and 2022)	(13,805)	(13,805)
	423,640	727,627
TOTAL STOCKHOLDERS' EQUITY	423,640	727,627
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$ 1,329,968	\$ 1,504,672

See accompanying notes and independent accountant's compilation report

KELYNIAM GLOBAL, INC.
STATEMENT OF INCOME
FOR THE NINE MONTHS ENDED
SEPTEMBER 30, 2023 AND 2022

	2023	2022
Sales	\$ 1,741,587	\$ 2,194,435
Cost of Sales	391,903	455,702
Gross Profit	1,349,684	1,738,733
General and Administrative Expenses	1,679,677	1,645,210
Income (Loss) from operations	(329,993)	93,523
Other Income (Expenses)		
Stock-based compensation expense	(76,971)	(165,750)
Interest income	3,000	-
Interest expense	(38,235)	(17,040)
	(112,206)	(182,790)
Loss Before Provision (Benefit) for Income Taxes	(442,199)	(89,267)
Provision (Benefit) for Income Tax	(27,609)	41,925
Net Loss	\$ (414,590)	\$ (131,192)

See accompanying notes and independent accountant's compilation report

KELYNIAM GLOBAL, INC.
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
SEPTEMBER 30, 2023 AND 2022

	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total Stockholders' Equity
Balance, January 1, 2022	\$ 25,738	\$ 2,643,942	\$ (1,962,806)	\$ (13,805)	\$ 693,069
Issuance of new shares	3,255	162,495	-	-	165,750
Net loss	-	-	(131,192)	-	(131,192)
Balance, September 30, 2022	<u>\$ 28,993</u>	<u>\$ 2,806,437</u>	<u>\$ (2,093,998)</u>	<u>\$ (13,805)</u>	<u>\$ 727,627</u>
Balance, January 1, 2023	\$ 28,993	\$ 2,806,437	\$ (2,060,366)	\$ (13,805)	\$ 761,259
Issuance of new shares	930	76,041	-	-	76,971
Net loss	-	-	(414,590)	-	(414,590)
Balance, September 30, 2023	<u>\$ 29,923</u>	<u>\$ 2,882,478</u>	<u>\$ (2,474,956)</u>	<u>\$ (13,805)</u>	<u>\$ 423,640</u>

See accompanying notes and independent accountant's compilation report

KELYNIAM GLOBAL, INC.
STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED
SEPTEMBER 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (414,590)	\$ (131,192)
Adjustments needed to reconcile net income to net cash provided by (used in) operating activities:		
Stock-based compensation expense	76,971	165,750
Depreciation	36,354	35,287
Amortization	678	-
(Increase) Decrease in operating assets		
(Increase) Decrease in accounts receivable	248,434	76,106
(Increase) Decrease in inventory	19,954	(8,057)
(Increase) Decrease in prepaid expenses	89,775	(88,579)
(Increase) Decrease in intangible assets	(13,064)	-
(Increase) Decrease in deferred income taxes	(30,000)	37,500
Increase (Decrease) in accounts payable	(113,774)	45,923
Increase (Decrease) in accrued expenses	8,144	(59,295)
Increase (Decrease) in deferred revenue	(36,101)	(63,238)
Net Cash Provided By (Used In) Operating Activities	(127,219)	10,205
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(42,856)
Net Cash Provided By (Used In) Investing Activities	-	(42,856)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings on line of credit	(14,909)	16,434
Borrowings on note payable	117,974	124,652
Principal payments on note payable	(6,569)	(51,942)
Net repayments to officer	30,723	(56,493)
Net Cash Provided by (Used In) Financing Activities	127,219	32,651
 Net Increase (Decrease) in Cash and Cash Equivalents	-	-
 Cash and Cash Equivalents at Beginning of Year	-	-
 Cash and Cash Equivalents at End of Year	\$ -	\$ -

See accompanying notes and independent accountant's compilation report

KELYNIAM GLOBAL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Kelyniam Global, Inc. (“the Company”), organized under the laws of the State of Nevada, specializes in the rapid production of custom prosthetic cranial implants utilizing computer-aided design and computer aided manufacturing of advanced medical grade polymers. The Company develops, manufactures, and distributes custom cranial and maxilla-facial implants for patients requiring the reconstruction of cranial and certain facial structures. The Company works directly with surgeons, health systems and payors to improve clinical and cost-of-care outcomes. The Company has additional products and categories in various stages of development and commercialization.

The Company’s business operations consist solely of regulatory approvals, manufacturing operations and distribution to customers and markets entirely in the United States.

Basis of Accounting

The financial statements of the Company have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”).

Revenue Recognition

Revenue from the sale of implantable products is generally recognized at an amount that reflects the expected consideration at the point-in-time the hospital customer obtains control of the product, which is defined as when the product is delivered and accepted, or upon shipment to a third-party distribution customer assuming control of the products.

Significant judgments – contracts with multiple performance obligations

Generally, each customer order represents a separate contract. Customer orders may include promises to transfer multiple performance obligations. A performance obligation is a promise in a contract with a customer to transfer products or services that are distinct. Generally, each specific product or service ordered is considered distinct and therefore, considered a separate performance obligation.

The Company allocates the transaction price to each performance obligation on a relative standalone selling price (“SSP”) basis. The SSP is the price at which the Company would sell a promised product or service separately to a customer. Judgement is required to determine the SSP for each distinct performance obligation.

KELYNIAM GLOBAL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company determines SSP by considering its overall pricing objectives and market conditions on a customer basis. Significant pricing practices taken into consideration include the Company's discounting practices, price lists, historical sales and contract prices. As the Company's go-to-market strategies evolve, the Company may modify its pricing practices in the future, which could result in changes to SSP. In certain cases, the Company is able to establish SSP based on observable prices of products or services sold separately in comparable circumstances to similar customers. The Company uses a single amount to estimate SSP when it has observable prices.

The transaction price for each contract with a customer is generally fixed. Amounts that have been invoiced are recorded in accounts receivable and revenue, when control to customers has occurred.

The Company has determined that it qualifies for the practical expedient to expense incremental costs of obtaining a contract as incurred in the period that the goods or services are transferred to the customer as this treatment is consistent with the incremental costs incurred.

Deferred Revenue

During 2022, the Company and a customer entered into a fixed agreement to provide specific products to the customer in support of a minimum purchase agreement contract where the customer's purchases had not been sufficient to meet minimum purchase requirements for 2021. The agreement measured revenue by the future provision of products during the year of 2022. The final outstanding amount related to this agreement was billed in full during the first quarter of 2023. As of September 30, 2022, the outstanding amount related to this agreement of \$88,762 is shown as deferred revenue on the "Balance Sheet" under Current Liabilities.

Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents and Credit Risk

The Company considers all investments with the original maturities of three months or less to be cash equivalents.

The Company maintains its cash and cash equivalents in bank deposit accounts that, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. The Company did not exceed the insured limit as of September 30, 2023 and 2022.

KELYNIAM GLOBAL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable are recorded at fair value and are recorded as current assets. Uncollectible account balances are written-off when management determines the probability to collection is remote. The Company does not require collateral in providing credit. The allowance for doubtful accounts reflects the best estimate of probable losses determined principally on the basis of historical experience and specific allowances for known troubled accounts. All accounts or portions thereof that are deemed to be uncollectible or that require an excessive collection cost are written off to the allowance for doubtful accounts. No allowance for doubtful accounts was deemed necessary at September 30, 2023 and 2022.

Inventory

Inventory, consisting primarily of supplies, is stated at the lower of cost (first-in, first-out basis) or market value (net realizable value).

Property and Equipment

Property, plant, and equipment are recorded at cost. Depreciation is provided using straight-line methods for financial reporting purposes. Estimated useful lives of the assets are as follows:

Manufacturing equipment	7 years
Computer equipment	3 years
Furniture and fixtures	5 – 7 years
Leasehold improvements	15 – 39 years

The cost and related accumulated depreciation of equipment and furniture sold, retired or otherwise disposed of are removed from the related asset accounts, and any resulting gain or loss is recorded in operations for the period in which the transaction occurred.

Expenditures for major renewals or improvements that extend the useful lives of equipment and furniture are capitalized. Expenditures for maintenance and repairs are expensed as incurred. Depreciation expense for the nine months ended September 30, 2023 and 2022 was \$36,354 and \$35,287, respectively.

Leases

The Company calculates operating lease liabilities with a risk-free discount rate, using a comparable period with the lease term. All lease and non-lease components are combined for all leases. Lease payments for leases with a term of 12 months or less are expensed on a straight-line basis over the term of the lease with no lease asset or liability recognized.

KELYNIAM GLOBAL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments

The Company has a number of financial instruments and none are held for trading purposes. The Company estimates that the fair value of all financial instruments as of September 30, 2023 and 2022 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheets. The Company used available market information and appropriate valuation methodologies to determine the estimated fair value amounts. Considerable judgment is required in interpreting market data to develop the estimates of fair value and, accordingly, the estimates are not necessarily indicative of the amounts that the Company could realize in a current market exchange (See Note 11).

Advertising Costs

The Company expenses advertising costs as they are incurred. Advertising expenses for the nine months ended September 30, 2023 and 2022 was \$24,768 and \$31,100, respectively.

Shipping and Handling Costs

All shipping and handling costs billed to customers are recognized in sales. Shipping and handling costs are charged to expense as incurred and included in cost of sales on the accompanying statement of income. Shipping and handling costs incurred for the nine months ended September 30, 2023 and 2022 was \$25,241 and \$32,556, respectively.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related to differences between financial statement and taxable income arising primarily from depreciation expense for tax purposes using accelerated methods and for financial statements using the straight line method, in addition to future benefits for net operating loss carryovers for tax purposes.

The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

There are no uncertain positions that would require recognition in the financial statements. If the Company were to incur an income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties and income tax would be reported as income tax expense. Management's conclusions regarding uncertain tax positions may be subject to review and adjustment at a later date based upon ongoing analysis of or changes in tax laws, regulations and interpretations therefore as well as other factors.

KELYNIAM GLOBAL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lease Arrangements

Annual rentals pertaining to the real estate lease, which convey merely the right to use property, are charged to current operations.

Subsequent Events

In preparing these financial statements, management has evaluated subsequent events through November 09, 2023, which represents the date the financial statements were available to be issued.

NOTE 2 – RELATED PARTY TRANSACTIONS

Officer Loan Payable

Officer loan payable represent amounts due to two officers. The outstanding balance of the oldest loan as of September 30, 2023 and 2022 was \$63,383 and \$84,260, respectively. The amount is subject to a specific repayment schedule at interest rates of 4.75%. A second loan initiated during the third quarter of 2023 for \$50,000. This loan is senior to all obligations of the Company except the Westfield line of credit described in Note 5. The loan is not subject to a repayment schedule and accrues interest at 12.0%.

NOTE 3 – INVENTORY

Inventory consists of supplies on hand in the amount of \$36,747 and \$52,346 as of September 30, 2023 and 2022, respectively.

NOTE 4 – INTANGIBLE ASSETS

Intangible assets consist of the following as of September 30, 2023:

Loan origination costs	\$ 13,064
Less: Accumulated amortization	<u>(678)</u>
Net intangibles	<u>\$ 12,386</u>

Amortization expense amounted to \$678 for the nine months ended September 30, 2023. There were no intangible assets as of September 30, 2022 and no amortization expense during the nine months ended September 30, 2022.

KELYNIAM GLOBAL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

NOTE 4 – INTANGIBLE ASSETS (Continued)

Following is a schedule of future amortization expense:

<u>PERIOD ENDING</u> <u>SEPTEMBER 30,</u>		
2024	\$	1,139
2025		1,139
2026		1,139
2027		1,139
2028		1,139
Thereafter		<u>6,691</u>
	\$	<u>12,386</u>

NOTE 5 – LINE OF CREDIT

The Company has a \$230,000 revolving line of credit with Westfield Bank, secured by the assets of the Company. The balance on the line at September 30, 2023 was \$170,085 at the rate of interest of 9.25%. The balance on the line at September 30, 2022 was \$125,777 at the rate of interest of 6.50%.

NOTE 6 – LONG-TERM DEBT

	<u>2023</u>	<u>2022</u>
<p>Note payable with a commercial non-bank lender, payable in monthly installments of \$1,162 beginning February 2023, including interest of 14.24%, through January 2035, secured by a personal guarantee of an officer of the Company and supported by a corporate owned life insurance policy.</p>	\$ 78,223	\$ -
<p>Note payable with a commercial non-bank lender, payable in monthly installments of \$595 beginning September 2023, including interest of 14.24%, through August 2033, secured by a personal guarantee of an officer of the Company and supported by a corporate owned life insurance policy.</p>	37,834	-

KELYNIAM GLOBAL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

NOTE 6 – LONG-TERM DEBT (Continued)

Note payable with the Department of Economic and Community Development, payable in monthly installments of \$2,996, including interest of 3.00%, through December 2022, secured by assets of the Company.

- 6,065

Note payable with a commercial non-bank lender, payable in monthly installments of \$1,909 beginning October 2022, including interest of 13.24%, through September 2034, secured by a personal guarantee of an officer of the Company and supported by a corporate owned life insurance policy.

	117,654	124,652
\$ 233,711	\$ 130,717	\$ 130,717
	(12,659)	(12,459)
\$ 221,052	\$ 221,052	\$ 118,258

Less: Current maturities:

Future maturities of long-term debt are as follows:

PERIOD ENDING SEPTEMBER 30,	AMOUNT
2024	\$ 12,659
2025	14,495
2026	16,598
2027	19,007
2028	21,767
Thereafter	149,185
	\$ 233,711

NOTE 7 – DESCRIPTION OF LEASING ARRANGEMENTS

The following summarizes the line items in the balance sheet, which include amounts for operating leases as of September 30, 2023 and 2022.

	2023	2022
Operating lease – right-of-use asset	\$ 143,832	\$ 82,926
Current portion of operating lease liabilities	33,462	32,484
Operating lease liabilities	110,370	50,442
Total operating lease liabilities	\$ 143,832	\$ 82,926

KELYNIAM GLOBAL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

NOTE 7 – DESCRIPTION OF LEASING ARRANGEMENTS (Continued)

The following summarizes the components of operating lease expenses that are included in the Statement of Income for the nine months ended September 30, 2023 and 2022.

	<u>2023</u>	<u>2022</u>
Cost of Sales	\$ 16,316	\$ 18,356
General and Administrative Expenses	<u>17,300</u>	<u>19,313</u>
Operating lease cost	<u>\$ 33,616</u>	<u>\$ 37,669</u>

The following summarizes the cash flow information related to operating leases for the nine months ended September 30, 2023 and 2022.

	<u>2023</u>	<u>2022</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	\$ 33,616	\$ 37,669
Lease assets obtained in exchange for lease liabilities:		
Operating leases	\$ 143,832	\$ 82,926

The following is a schedule of future minimum lease payments required under the lease agreement.

<u>PERIOD ENDING</u> <u>SEPTEMBER 30,</u>	
2024	\$ 33,462
2025	33,960
2026	33,960
2027	33,960
2028	<u>8,490</u>
	<u>\$ 143,832</u>

NOTE 8 – STOCKHOLDERS’ EQUITY

Common Stock

As of September 30, 2023, the authorized capital stock of the Company was 60,000,000 shares of common stock, \$0.001 par value per share; 29,923,145 shares are outstanding at September 30, 2023.

KELYNIAM GLOBAL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

NOTE 8 – STOCKHOLDERS’ EQUITY (Continued)

During 2023, the Company issued 930,000 shares of common stock at various issuance prices primarily to current Board members, employees and a success award for a distributor in the amount of \$76,971.

As of September 30, 2022, the authorized capital stock of the Company was 60,000,000 shares of common stock, \$0.001 par value per share; 28,993,145 shares outstanding at September 20, 2023.

During 2022, the Company issued 3,255,000 shares of common stock at various issuance prices primarily to current Board members, employees and a success award for a distributor in the amount of \$165,750.

Treasury Stock

The Company is authorized to repurchase shares of its common stock in the open market or through negotiated transactions, at such times and at such prices as management may decide.

NOTE 9 – INCOME TAXES

The provisions for income taxes consist of the following at September 30, 2023:

	<u>FEDERAL</u>	<u>STATE</u>	<u>TOTAL</u>
Current Taxes	\$ -	\$ 2,391	\$ 2,391
Deferred Tax (Benefit)	(21,750)	(8,250)	(30,000)
Net	<u>\$ (21,750)</u>	<u>\$ (5,859)</u>	<u>\$ (27,609)</u>

The provisions for income taxes consist of the following at September 30, 2022:

	<u>FEDERAL</u>	<u>STATE</u>	<u>TOTAL</u>
Current Taxes	\$ -	\$ 4,425	\$ 4,425
Deferred Tax (Benefit)	27,000	10,500	37,500
Net	<u>\$ 27,000</u>	<u>\$ 14,925</u>	<u>\$ 41,925</u>

The deferred taxes result from the following:

- 1) The use of the accrual basis of accounting for financial purposes versus the cash basis of accounting for tax purposes.
- 2) Net operating losses that are available to offset future taxable income.
- 3) The use of straight-line depreciation methods for financial reporting purposes versus accelerated depreciation methods for tax purposes.

KELYNIAM GLOBAL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

NOTE 9 – INCOME TAXES (Continued)

The Company’s deferred tax assets and deferred tax liabilities at September 30, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Deferred tax assets	\$ 491,000	\$ 396,300
Deferred tax liabilities	_____ -	_____ -
Net Deferred Tax Asset	<u>\$ 491,000</u>	<u>\$ 396,300</u>

Included in the accompanying balance sheet at September 30, 2023 and 2022, as follows:

	<u>2023</u>	<u>2022</u>
Long-term deferred tax asset	\$ 491,000	\$ 396,300

The Company has approximately \$1.9 million loss carryforwards for both federal and state that may be used to offset against future taxable income. If not used, the carryforwards will begin to expire in December, 2030.

The Company files tax returns in U.S. federal jurisdiction, as well as in the State of Connecticut. The Company is no longer subject to U.S. federal and state income tax examinations by tax authorities for the years before 2017.

NOTE 10 – RETIREMENT PLAN

The Company maintains a 401(k) plan for full-time employees defined as an employee whose schedule services exceed 1,000 hours during a calendar year. Newly hired employees are eligible to participate in the plan after six months of service. The Company’s matching contribution to its’ 401(k) plan during the nine months ended September 30, 2023 was \$4,500. The Company contributed \$6,995 to its’ 401(k) plan during the nine months ended September 30, 2022.

NOTE 11 – FAIR VALUE MEASUREMENTS

FASB 820, Fair Value Measurements and Disclosures (FASB ASC 820) established a framework for identifying and measuring fair value. FASB ASC 820 provides a fair value hierarchy, giving the highest priority to quoted prices in active markets, and is expected to be applied to fair value measurements of derivative contracts that are subject to mark to market accounting and other assets and liabilities reported at fair value.

KELYNIAM GLOBAL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

NOTE 11 – FAIR VALUE MEASUREMENTS *(Continued)*

FASB ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

FASB ASC 820 emphasizes that fair value is a market-based measurement, not an entity specific measurement, and establishes a fair value hierarchy that distinguishes between assumptions based on market data obtained from independent sources and those based on the entity's own assumptions. The hierarchy prioritizes the inputs to fair value measurements into three levels:

Level 1- measurements utilize unadjusted quoted prices in active markets for identical assets and liabilities that the entity had the ability to access. These consist primarily of listed equity securities, exchange traded fixed income, derivatives and certain U.S. government treasury securities.

Level 2- measurements include quoted prices for similar assets and liabilities in active markets, quoted prices identical or similar assets or liabilities in markets that are not active, and other observable inputs such as interest rates and yield curves that are observable at commonly quoted intervals. These consist primarily of non-exchange traded derivatives such as swaps, forward contracts of options and most fixed income securities.

Level 3- measurements use unobservable inputs for assets and liabilities, are based on the best information available and might include the entity's own data. In some valuations, the inputs used may fall into different levels of hierarchy. In these cases, the financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. These consist mainly of assets and liabilities valued through an internal modeling process.

The following section describes the valuation methodologies used by the Company to measure different financial instruments at fair value, including an indication of the level in the fair value hierarchy in which each instrument is generally classified. Where appropriate, the description includes the details of the valuation models, the key inputs to those models, and significant assumptions.

Available-for-sale and Held-to-maturity securities- The Company uses quoted market prices to determine fair value for these classes of securities. These financial assets consist of exchange traded fixed income and equity securities, and are classified in Level 1 of the financial hierarchy.

KELYNIAM GLOBAL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

NOTE 11 – FAIR VALUE MEASUREMENTS (Continued)

The following table presents information about the Company’s respective assets and liabilities measured at fair value on a recurring basis at September 30, 2023 including the fair value measurements and the level of inputs used in determining those fair values:

Description	Level 1	Level 2	Level 3	Total
Assets:				
Equity				
Securities	\$ -	\$ -	\$ -	\$ -
Fixed Income	-	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Transfers between Level 1 and 2 generally relate to whether a market becomes active or inactive. Transfers between Levels 2 and 3 generally relate to whether, for various reasons, significant inputs become observable or unobservable. During the nine months ended September 30, 2023, there were no significant transfers into and out of each level of the fair value hierarchy for assets and liabilities measured at fair value.

NOTE 12 – SUPPLEMENTARY ANALYTICAL DATA

The Company uses the indirect method when presenting its cash flows from operating activities in the Statements of Cash Flows, therefore, the Company is required to disclose the following supplementary information:

	<u>2023</u>	<u>2022</u>
Interest paid	\$ 38,235	\$ 19,700

During 2023, the Company issued 930,000 shares of common stock, in the amount of \$76,971, in a noncash arrangement, as described in Note 8.

During 2022, the Company issued 3,255,000 shares of common stock, in the amount of \$165,750, in a noncash arrangement, as described in Note 8.

NOTE 13 – CONCENTRATIONS

Two customers represented 24% of accounts receivable at September 30, 2023. One customer represented 14% of sales revenue for the nine months ended September 30, 2023.

Three customers represented 47% of accounts receivable at September 30, 2022. Two customers represented 22% of sales revenue for the nine months ended September 30, 2022.

SUPPLEMENTARY INFORMATION

KELYNIAM GLOBAL, INC.
SCHEDULE I - COST OF SALES
FOR THE NINE MONTHS ENDED
SEPTEMBER 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Depreciation	\$ 22,610	\$ 22,099
Direct labor	76,366	123,515
Payroll taxes	6,265	10,711
Raw materials	237,848	241,280
Rent	16,316	18,356
Shipping, freight and delivery	25,241	32,556
Utilities	<u>7,257</u>	<u>7,185</u>
Total Cost of Sales	<u>\$ 391,903</u>	<u>\$ 455,702</u>

See accompanying notes and independent accountant's compilation report

KELYNIAM GLOBAL, INC.
SCHEDULE II - GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE NINE MONTHS ENDED
SEPTEMBER 30, 2023 AND 2022

	2023	2022
Advertising	\$ 24,768	\$ 31,100
Amortization expense	678	-
Bank and credit card fees	27,588	32,277
Commission expense	606,006	698,975
Depreciation	13,744	13,188
Donations	15,934	-
Equipment rental	650	615
Insurance	140,274	181,196
License and registration	6,625	2,547
Officer's compensation	59,370	87,399
Office expenses	23,861	17,834
Payroll service	1,702	2,162
Payroll taxes	32,033	27,651
Pension expenses	4,500	6,995
Professional fees	202,437	131,448
Property and other taxes	1,793	3,112
Regulatory fees	11,582	15,940
Rent	17,300	19,313
Repairs and maintenance	21,102	14,457
Salaries and wages	331,118	231,465
Seminars	600	7,570
Software support	33,287	3,005
Telephone	7,864	11,195
Travel and entertainment expenses	49,510	62,349
Utilities	7,804	7,631
Web services	37,547	35,786
	\$ 1,679,677	\$ 1,645,210
Total General and Administrative Expenses	\$ 1,679,677	\$ 1,645,210

See accompanying notes and independent accountant's compilation report