FRANCHISE DISCLOSURE DOCUMENT

Body and Brain Center, LLC
an Arizona limited liability company
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Body and Brain Center, LLC offers franchises for Body & Brain Centers that provide holistic health and healing programs to individuals and small groups and sell related products and subscription services.

The total investment necessary to begin operation of a Body & Brain franchise ranges from $52,930 to $115,550. This includes an amount ranging from $30,450 to $33,700 that must be paid to us and our affiliates.

This Disclosure Document summarizes certain provisions of your franchise agreement and other information in plain English. Read this Disclosure Document and all accompanying agreements carefully. You must receive this Disclosure Document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate for the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document**.

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact the franchisor at 1223 S. Clearview Ave., Suite 101, Mesa, Arizona 85209 or call (480) 550-8644.

The terms of your contract will govern your franchise relationship. Don't rely on the Disclosure Document alone to understand your contract. Read all of your contract carefully. Show your contract and this Disclosure Document to an advisor, like a lawyer or accountant.

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, for instance "*A Consumer's Guide to Buying a Franchise*," which can help you understand how to use this Disclosure Document, is available from the Federal Trade Commission (the "FTC"). You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's home page at *www.ftc.gov* for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Issuance Date: February ~~13, 2023~~7, 2024

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franchise system. We operated a Body & Brain Center in New Jersey from 2013 to 2014 that we reacquired from a franchisee and have operated a Body & Brain Center in Arizona since 2022. We have not otherwise directly operated a Body & Brain Center. However, as discussed below, our parent company has also operated similar businesses.

Parents, Affiliates and Predecessors

Our parent company is Body & Brain Yoga and Health Centers, Inc. ("BBYHC") (formerly named Dahn Yoga and Health Centers, Inc.) and its principal business address is 1234 S. Power Road, Suite 151, Mesa, Arizona 85206. BBYHC is owned by its parent company, Dahn World Co., Ltd ("Dahn World"), which has a principal business address of 277-20 Nonhyun Building, Nonhyun, Kangnam, Seoul Korea. BBYHC operates approximately ~~53~~**50** Body & Brain Centers in the United States (formerly Dahn Yoga Centers) and Dahn World operates approximately ~~154~~**145** Dahn Yoga Centers outside the United States. BBYHC provides certain training to our franchisees as further discussed below under "Franchisee Qualifications." Neither BBYHC nor Dahn World has offered franchises in this or any other line of business.

We do not have any predecessors. Except as disclosed above, we do not have any affiliates that provide goods or services to our franchisees or that have offered franchises in this or any other line of business.

Franchisee Qualifications

We only consider offering franchises to individuals who have completed: (i) at least 6 months of regular classes held at a Dahn Yoga Center or Body and Brain Center; (ii) the Self-Enrichment workshop provided by BBYHC; and (iii) the Qualified Instructor Training provided by BBYHC; (iv) the Leadership Training provided by BBYHC.

Description of Franchised Business

Under your Body & Brain franchise (referred to in this Disclosure Document as your "Business" or your "Center"), you will focus on offering the physical aspects of Body & Brain holistic products and services. In particular, you will establish and operate a business that provides holistic health and natural healing programs to individuals and small groups and sells related products. Body & Brain Centers offer Dahn Yoga classes, including dieting programs, Tai-chi programs, exercise programs, relaxation programs, natural healing programs and life coaching. Many of the exercises are brain-based, meaning they are designed to encourage normal brain wave functions, which allows the human body to take advantage of its natural healing power. You will utilize integrative lifestyle coaching to help people develop a healthy lifestyle using certain tools, such as counseling, exercise, media content and related products. You will utilize the Solar Body Method, which is a systemized training method that strengthens the body's natural healing capacity. The products sold by Body & Brain franchisees include books, ~~CDs, DVDs~~**uniforms, clothing, dietary supplements, skin care products**, subscriptions to online programs (including changeyourenergy.com~~)~~**),** and various devices that assist with the health and natural healing programs. ~~None of~~**Among** these products~~ are~~**, dietary supplements and skin care products may be** subject to regulation or approval by the United States Food and Drug Administration under the **Food Drug and Cosmetic Act of 1938, the** Dietary Supplement Health and Education Act of 1994**,** or ~~under any~~ other applicable laws**. All other products are not subject to such regulations**.

As part of your Business, you will also have the opportunity to receive referral fees if you refer your members to certain of our affiliated companies (including BBYHC) and they participate in a workshop, retreat, or other program offered by the affiliated company. These affiliated companies may include companies under common ownership with us or third parties operating under a license granted by us or one of our affiliates. In order to take advantage of these referral programs, you must sign the Referral Agreement that is attached to this Disclosure Document as EXHIBIT "F". In the past, we offered a "Platinum Membership" program for Body & Brain customers that included acceptance of Dahn Center Gold members. We no longer offer the Platinum Membership program and BBYHC no longer offers the Gold Membership program, although pre-existing platinum members and gold members are still permitted to receive the benefits under these programs.

We will grant you a license to use certain trademarks, service marks, logos, trade dress and trade names, including the service marks "Body & Brain" and "Body & Brain Center" (collectively, the "Marks") in the operation of your Business. You must sign a franchise agreement (the "Franchise Agreement") and operate your Business in accordance with the terms of the Franchise Agreement. The form of Franchise Agreement is attached to this Disclosure Document as EXHIBIT "C". Before you attend training, you must sign either the Franchise Agreement or the form of Training Agreement that is attached to this Disclosure Document as EXHIBIT "D" (the "Training Agreement"). Under the terms of the Training Agreement, you will have a period of 180 days after successfully completing training to sign the Franchise Agreement. If you do not sign the Franchise Agreement within that period of time, we will have no further obligation to grant you a franchise.

We have developed a unique system (the "System") for the operation of a Body & Brain Center. Distinctive characteristics of the System include logo, trade secrets, concept, proprietary programs and products, confidential operations manuals, marketing techniques and strategies, Solar Body Method of systemized training, coaching system (including specially developed media content and merchandise) and operating system. The operational aspects of a Body & Brain franchise are contained within our confidential Operating Manual (the "Manual"). You will operate your Body & Brain franchise as an independent business using the Marks, the System, the Body & Brain name, as well as the support, guidance and other methods and materials provided or developed by us.

Market and Competition

The primary target market for Body & Brain customers includes individuals who want to develop their brain potential and create a healthier lifestyle. The alternative health industry is large, well developed, and highly competitive. A Body & Brain franchisee competes primarily with other businesses that provide healing and relaxation services, for instance life coaching, massage therapy, physical therapy and Yoga, as well as businesses that provide alternative medicine, for instance acupuncture, chiropractic services, homeopathy, herbs and energy therapies. Some of these businesses operate through franchises.

Laws and Regulations

There are no laws or regulations that are specific to this industry. However, in certain states, "health clubs" are subject to special laws and regulations and some of these laws may apply to your Center if it is deemed to be a health club. Among other things, these laws and regulations may impose requirements relating to the consumer contracts that your members will sign. The federal Truth in Lending Act may also require you to provide certain disclosures in these consumer contracts to the extent that you offer financing. You must hire an attorney to review the form of membership agreement and other consumer contracts that you use to ensure they comply with the laws of your state. **Dietary supplements and skin care products sold by Body & Brain franchisees may be subject to regulation or approval by the United States Food and Drug Administration under the Food Drug and Cosmetic Act of 1938, the Dietary Supplement Health and Education Act of 1994, or other applicable laws.** You must comply with all federal and state licensing and other regulatory requirements for the operation of your Business. There may be other local, state and/or federal laws or regulations pertaining to your Business with which you must comply.

ITEM 2 BUSINESS EXPERIENCE

~~Hyung Jin Cho~~Jeong Hee Jeon – President and Member of the Board of Managers

~~Hyung Jin Cho~~Jeong Hee Jeon was appointed to our Board of Managers in February of ~~2023~~2024 and has served as our President since February of ~~2023~~2024. From ~~August 2016 to~~ January 2019 to October 2023, ~~Mr. Cho~~Ms. Jeon served as ~~a Regional Manager and Senior Trainer~~the Director/Administrator for ~~our parent company, BBYHC,~~Tenerife Healing Garden, SL in ~~Arlington, MA~~Santa Cruz, Spain.

Sa Yong Kim –Member of the Board of Managers

Sa Yong Kim was appointed to our Board of Managers in June of 2017 and served as our President from June of 2017 to February of 2023.

Joung Yoon – Member of the Board of Managers

Joung Yoon was appointed to our Board of Managers in March of 2012. Mr. Yoon has served as a Senior Instructor for our parent company, BBYHC, in Mesa, Arizona since January of 2020. ~~Mr. Yoon served as our Operations Manager from June of 2017 to January of 2018.~~

Eun Jeong Lee – Operations/Administrative Manager and Member of the Board of Managers

Eun Jeong Lee was appointed to our Board of Managers in February of 2022 and has served as our Operations/Administrative Manager since February of 2018. ~~Ms. Lee served as our Administrative Manager from May of 2017 to January of 2018.~~

ITEM 3 LITIGATION

No litigation is required to be disclosed in this Item. California law requires additional disclosures related to the information contained in Item 3. These additional disclosures appear in the California Addendum that is attached to this Disclosure Document as EXHIBIT "I".

ITEM 4 BANKRUPTCY

No bankruptcies are required to be disclosed in this Item.

ITEM 5 INITIAL FEES

Initial Franchise Fee

You will pay us an initial franchise fee in one lump sum before you attend our initial franchise training program. Specifically, the initial franchise fee is due at the time you sign the Franchise Agreement (or Training Agreement, if applicable). The initial franchise fee is $10,000.

We have the Additional Center Discount Program. Under the Program, a reduced intial franchise fee of $9,000 applies for an additional Body & Brain Center if an existing Body & Brain Center franchisee is approved to enter into a new franchise agreement for the additional Body & Brain Center. Except as provided in the Additional Center Discount Program, the initial franchise fee is uniformly imposed on all franchisees.

The initial franchise fee is paid for the right to enter into the franchise and covers our expenses incurred for marketing and advertising. The initial franchise fee is not refundable under any circumstances, although we reserve the right to grant refunds in our sole discretion.

fee is non-refundable. The conversion fee is uniformly imposed on all franchisees.

Initial Inventory

Before you open, you may purchase your initial supply of inventory items from HSP World, which is BBYHC's merchandising division, including books, uniforms, clothing, healing products, dietary supplements, and skin care products. You are not required to purchase any of these items, although we anticipate that most franchisees will purchase between $500 and $2,000 worth of inventory items from BBYHC before opening. The price of these inventory items is uniformly imposed on franchisees. BBYHC will provide a full refund of the purchase price for any inventory items that are returned, but only if: (i) the items are unopened and in good and useable condition or have any damage caused by shipping; and (ii) the request for refund must be made to BBYHC within 30 days of delivery. The purchase price is not refundable under any other circumstances.

ITEM 6 OTHER FEES

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Royalty Fee [1]	10% of monthly Program Sales [2]	Payable on or before 6th day of month for prior month's operations	None
Additional Training Fee [1]	Up to $150 per hour plus food, lodging and travel expenses	As invoiced	See Note 3.
Initial Training Fee [1]	$10,000 for first session, $400 for "retraining"	Before training	See Note 4.
Advertising Fund Fee [1]	0.5% of Program Sales [2]	Payable on the 6th day of month for prior month's operations	See Note 5.
Cooperative Advertising Fee [1]	Up to 0.5% of Program Sales, or as otherwise established by the cooperative [2]	Payable on the 6th day of month for prior month's operations	Payable only if we establish an advertising cooperative that includes your territory. See Note 6.
National Conference Fee [1]	Up to $100 per day per person	As invoiced	See Note 7.
Inventory Items [1]	**Varies**	**Upon order**	**BBYHC is the supplier for most of your inventory items. You are not required to purchase any inventory items.**
Software Fee [1]	Currently $40 per month (not to exceed $100 per month)	Payable on the 6th day of month	See Note 8.
Audit Fee [1]	Actual cost of audit plus $2,500; you must also pay travel and lodging expenses for the audit team	Upon completion of audit	See Note 9.
Renewal Fee [1]	$1,000	90 days before expiration of term	None.

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Transfer Fee [1]	Our costs incurred as part of transfer, up to maximum of $3,000	Before consummation of transfer	See Note 10.
Fines [1]	Up to $500 per incident (maximum of $2,500 for same violation)	10 days after billing	See Note 11.
Late Fee [1]	Lesser of 18% of amount past due or highest rate allowed by applicable law	10 days after billing	See Note 12.
Reimbursement of Expenses for On-Site Assistance	Reasonable cost of travel, meals, lodging and other expenses incurred by our representative while providing on-site assistance to you	Upon completion of on-site assistance	We may, but need not, send a representative to your location to assist you with the opening of your business. We do not charge a fee for this assistance but you must reimburse us for all travel, meals, lodging and other expenses incurred by us or our representative in providing this assistance to you.
Attorneys' Fees and Costs [1]	Will vary with circumstances	Upon demand	You must reimburse us for all attorneys' fees and other costs we incur relating to your breach of any term of the Franchise Agreement or any other agreement with us or our affiliates.
Indemnification [1]	Will vary with circumstances	As incurred	You must reimburse us if we are sued for claims from the operation of your Business or for damages or expenses that we incur due to your breach of the Franchise Agreement.
Insurance [1]	Actual cost of premiums, plus our costs and expenses	As incurred	If you fail to obtain and maintain the insurance we require, and we elect to do so on your behalf, you must reimburse us.

NOTES:

(1) All fees are imposed by and are payable to us other than the Software License Fee **and the cost of inventory items**, which ~~is~~**are** paid to BBYHC. All fees are non-refundable ~~and~~**, except that the payments for inventory items may be refunded under the conditions described in Item 5. All fees are** uniformly imposed on Body & Brain Center franchisees. You must sign an ACH Authorization Form (attached to the Franchise Agreement as Attachment "D"), permitting us to electronically debit your designated bank account for payment of all fees payable to us as well as any amounts that you owe to us or our affiliates for the purchase of goods or services. You must deposit all revenues derived from the operation of your Business into the bank account and ensure that there are sufficient funds available for withdrawal before each due date. You must pay us all taxes that are imposed upon us or that we are required to collect and pay by reason of the furnishing of products, intangible property (including trademarks) or services to you.

(2) "Program Sales" means all gross sums that you receive from all services sold in or at your Business (including memberships and referral fees). "Program Sales" do not include (i) revenues from product sales, (ii) amounts refunded to customers or (iii) sales and use taxes. Any amounts that are included in Program Sales for 1 reporting period but are subsequently refunded will be deducted from your Program Sales for the next reporting period. You must provide us with reports of your Program Sales as well as your product sales. You must record all sales information on the same

YOUR ESTIMATED INITIAL INVESTMENT				
TYPE OF EXPENDITURE	**AMOUNT** [1]	**METHOD OF PAYMENT**	**WHEN DUE**	**TO WHOM PAYMENT IS TO BE MADE**
Rent (3 months after opening) [4]	$3,000 to $9,000	Lump sum	Before opening	Landlord
Build Out & Improvements [5]	$5,000 to $30,000	As incurred	Before opening	Architects, contractors, suppliers
Decorating, Furniture & Furnishings	$2,900 to $4,550	As incurred	Before opening	Suppliers
Computer System	$1,100 to $2,700	Lump sum	Before opening	Suppliers
Initial Supply of Inventory [6]	$500 to $2,000	Lump sum	Before opening	Suppliers
Office Supplies	$300	As incurred	Before opening	Suppliers
Signage	$500 to $2,000	Lump sum	Before opening	Suppliers
Pre-opening Marketing	$1,500 to $2,500	Lump sum	Before opening	Newspaper, Yellow Pages, ad printers, other media
Utility deposits	$0 to $300	As incurred	Before opening	Utility companies
Music License Fee (for 1 year)	$300 to $600	Lump sum	Before opening	Music licensing company
Business License	$30 to $500	Lump sum	Before opening	Government agencies
Incorporation Fee [7]	$200 to $700	Lump sum	Before opening	Government agencies
Professional Fees	$300 to $3,000	Lump sum	Before opening	Accountants & lawyers
Insurance (premium for 1 year)	$500 to $900	Lump sum	Time and manner required by insurance companies	Insurance companies
Additional Funds – 3 months [8]	$2,050 to $11,800	As incurred	As incurred	Suppliers, employees and BBYHC
Total Estimated Initial Investment [9]	$52,930 to $115,550			

NOTES:

(1) We do not offer direct or indirect financing to franchisees for any of these items. We will refund the entire training fee if you notify us that you wish to cancel the franchise before you begin training. No other fees payable to us are refundable. BBYHC will refund the training fee for Self-Enrichment Workshop, Qualified Instructor Training and Leadership Training if you notify BBYHC you will not attend before training begins. However, if you provide this notice within 21 days of training, BBYHC may retain an administrative fee of up to $50. **BBYHC will refund the purchase price for the initial supply of inventory under the circumstances described in Item**

5. We are unaware of any fees payable to third party suppliers that are refundable, although some landlords refund security deposits at the end of the lease if the tenant does not default. Because we do not expect many franchisees to be able to use the Additional Center Discount Program or the Conversion Program described in Item 5, our estimates above assume that neither the Additional Center Discount Program nor the Conversion Program applies.

(2) All Owners and managers must successfully complete the initial training program and pay the training fee. Generally, we will require a franchisee to hire a manager if the franchisee purchases multiple franchises (unless the franchisee has at least 1 Owner for each franchise). We may also allow a franchisee to hire a manager if the franchisee purchases a single franchise, but the franchisee must still remain actively involved with the operation of the Center. Because we do not expect many franchisees (if any) to send more than 1 person to initial training at the initial phase of development, the estimate above assumes only 1 person attends the pre-opening initial training program.

(3) You must pay all travel, food and lodging costs associated with attending the franchise training program as well as the Self-Enrichment Workshop, Qualified Instructor Training and Leadership Training.

(4) These figures presume that you will be leasing your premises. A Body & Brain Center typically ranges in size from 600 to 1,500 square feet. The expense of leasing will vary, depending upon the size of the premises, its location, landlord contributions, and the requirements of individual landlords. We estimate the rent will range from $1,000 to $3,000 per month. The estimate above includes the first 3 month's rent after opening your Center. Some franchisees may prefer to own the premises for their Body & Brain Center. The cost to purchase the real estate varies so widely that we cannot reasonably estimate this cost.

(5) The cost of leasehold improvements and build out will vary widely depending upon the size and condition of the premises, whether or not there are any existing and comparable leasehold improvements on the premises, the extent and quality of improvements desired by you, landlord's cash contribution to the cost of the improvements, and the like.

(6) You have the option of purchasing ~~approved~~**certain** inventory items ~~for resale~~**from BBYHC that you may resell to your customers**.

(7) We recommend, but do not require, that you form a corporation or limited liability company to act as franchisee under the Franchise Agreement and to operate your Business.

(8) This estimates your expenses during the first 3 months of operation. These expenses include payroll costs (excluding any wage or salary paid to you), monthly software fee (paid to us or BBYHC), advertising costs, utilities, postal costs, additional inventory and office supplies, gas cost, and other miscellaneous expenses.

(9) These figures are estimates based on the past experience of our parent company and franchisees in operating their Dahn Yoga Centers and Body & Brain Centers. You may have additional expenses starting your Business. ~~Your costs will depend on a variety of factors, including how closely you follow our methods and procedures, your management skills, experience and knowledge, the local real estate market, the prevailing wage rate, competition, and the sales level achieved during the initial period. We strongly recommend that you have independent estimates on all of your start up and continuing operation costs for your Business.~~

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Source Restricted Purchases and Leases – Generally

We require that you purchase or lease certain "source restricted" goods and services for the development and ongoing operation of your Business. By "source restricted," we mean that the good or service must meet our specifications and/or must be purchased from an approved or designated supplier (in some cases, an exclusive designated supplier, which may be us or an affiliate). Our specifications and list of approved and designated suppliers are contained in the Manual. We will notify you within 30 days of any changes to our specifications or list of approved or designated suppliers. We may notify you of these changes in various ways, including written or electronic correspondence, verbal or telephonic notification, amendments or updates to the Manual, bulletins, or other means of communication.

Supplier Criteria

Our criteria for evaluating a supplier include standards for quality, delivery, performance, design, appearance and price of the product or service as well as the dependability, reputation and financial viability of the supplier. Upon your request, we will provide you with any objective specifications pertaining to our evaluation of a supplier, although certain important subjective criteria (e.g., product appearance, design, functionality, etc.) are important to our evaluation but cannot be described in writing.

If you want to purchase or lease a source restricted item from a non-approved supplier, you must send us a written request for approval and submit any additional information that we request. We may require that you send us samples from the supplier for testing. We may also require that we be allowed to inspect the supplier's facilities. We will notify you of our approval or disapproval within 60 days after we receive your request for approval plus all additional information and samples that we require. We may, at our option, re-inspect the facilities and products of any approved supplier and revoke our approval if the supplier fails to meet any of our then-current criteria.

Current Source Restricted Items

As described below in more detail, we require that you purchase the following source restricted goods and services for use in the development and ongoing operation of your Business: all inventory, marketing materials, computer system, music, lease and insurance policies. We estimate that between 85% and 95% of the total purchases that will be required to establish and operate your Business will consist of source restricted goods or services.

Inventory

You are not required to purchase any inventory for resale although you have the option to do so. All inventory that you purchase must meet our standards and specifications and must be purchased only from designated or approved suppliers. **BBYHC's merchandising division, HSP World, is our approved supplier for certain inventory items, including books, uniforms, clothing, healing products, dietary supplements, and skin care products. Inventory items can also be purchased from other suppliers, as long as we approve them.**

Marketing Materials

All of your marketing materials must comply with our standards and requirements. We must approve all of your marketing materials before you use them. You may purchase marketing materials from any supplier of your choosing.

right to establish one or more purchasing cooperatives in the future. You do not receive any material benefits for using designated or approved suppliers other than having access to any discounted pricing that we negotiate.

Franchisor & Affiliate Revenues from Source Restricted Purchases

Although we are not currently an approved or designated supplier for any source restricted items, we reserve the right to designate ourselves as an approved or designated supplier in the future, in which case we may generate revenues from these purchases. We may receive rebates, payments or other material benefits from vendors based on franchisee purchases. We will deposit all rebates and payments from suppliers into the advertising fund. In the fiscal year ended December 31, ~~2022~~2023, we did not receive any revenues based on Body & Brain Center franchisee purchases from approved or designated suppliers.

Our parent, BBYHC, is the exclusive licensor of the web-based point of sale system you must use (BRMNet Software). You must pay BBYHC a monthly fee of $40 per month for use of this system. **BBYHC's merchandising division, HSP World, is our approved supplier for certain optional inventory items, including books, uniforms, clothing, healing products, dietary supplements, and skin care products.** BBYHC is also the exclusive provider of the required Self-Enrichment Workshop, Qualified Instructor Training and Leadership Training. BBYHC and our other affiliates may be approved or designated suppliers for other goods or services in the future. During the fiscal year ended December 31, ~~2022~~2023, BBYHC received a total of $12,~~320~~928.37 in revenues based on Body & Brain Center franchisee purchases from approved or designated suppliers, including purchases from BBYHC. The source of this information is an internal financial accounting document prepared by BBYHC's Accounting Department.

There are no approved or designated suppliers in which any of our officers owns an interest.

ITEM 9 FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and other items in this Disclosure Document.

Obligation	Section in Franchise Agreement ("FA") or Software Service Agreement ("SSA")	Disclosure Document Item
a. Site selection and acquisition/lease	FA: Section 7.1 & 7.2 SSA: Not Applicable	Item 7 & 11
b. Pre-opening purchases/leases	FA: Section 7.3, 10.4 & 15.1 SSA: Not Applicable	Item 5, 7, 8 & 11
c. Site development and other pre-opening requirements	FA: Section 7.3 & 7.4 SSA: Not Applicable	Item 6, 7 & 11
d. Initial and ongoing training	FA: Section 5 SSA: Not Applicable	Item 6 & 11
e. Opening	FA: Section 7.4 SSA: Not Applicable	Item 11
f. Fees	FA: Section 4.2, 5.6, 6.2, 9.1(b), 9.4, 10.8, 10.10, 13, 15.1 & 19.2(vi) [Also see Section 3 of the Training Agreement] SSA: Section 3.1	Item 5 , 6, 8 & 11

"Advertising Fund" for additional information. (Section 9.1)

During the operation of your Business, we may, but need not:

1. Upon your request, send one or more of our representatives to your Center to assist you with the opening of your Business. (Section 6.2)

2. Provide periodic training programs or conduct additional training that you request. See Section below entitled "Training Program" for additional information. (Section 5)

3. Develop new products or services for sale by Body & Brain franchisees. (Section 6.6)

4. Hold periodic national conferences to discuss business and operational issues affecting Body & Brain franchisees, including industry changes, new services and/or merchandise, marketing strategies and the like. (Section 5.5)

5. Create a franchise advisory council. See Section below entitled "Advisory Council" for additional information. (Section 11)

6. **Suggest or establish pricing or discount rates for certain Body & Brain products and services. (Section 9.3 & 9.5)**

Training Program (Section 5 and Training Agreement)

We will provide an initial training program of approximately ~~35~~**30** hours over 5 to 9 days. We anticipate most franchisees will send between 1 and 2 people to training. All of your Owners and managers must successfully complete the initial training program to our satisfaction. We expect that most franchisees will not have multiple owners and will not hire managers at the initial phase of development. You are not required to attend or complete training within any minimum period of time after signing the Franchise Agreement or prior to opening. However, you cannot open your Center until you have successfully completed training **by attending all hours of classroom training in every required subject** (you must open your Center within 2 years after signing the Franchise Agreement, unless we grant you an extension of up to 2 additional years).

The initial training program will take place at a retreat in Sedona, Arizona (currently Sedona Mago Retreat Center) or Ellenville, New York (currently Honor's Haven Retreat & Conference) or another training location we select at our discretion or in an online format. Currently, we intend to offer the initial training program at least 4 times per year.

Training Topics

The initial training program consists of the following:

TRAINING PROGRAM			
SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS ON THE JOB TRAINING	LOCATION
Orientation / Reflection/ Sharing	1	0	In Sedona, Arizona or Ellenville, New York, at another training location we select at our discretion, or in an online format

TRAINING PROGRAM			
SUBJECT	**HOURS OF CLASSROOM TRAINING**	**HOURS ON THE JOB TRAINING**	**LOCATION**
Private Session	1.5	0	In Sedona, Arizona or Ellenville, New York, at another training location we select at our discretion, or in an online format
Aura Reading	1	0	In Sedona, Arizona or Ellenville, New York, at another training location we select at our discretion, or in an online format
Consultation	1	0	In Sedona, Arizona or Ellenville, New York, at another training location we select at our discretion, or in an online format
~~Ownership / Leadership~~	~~1~~	~~0~~	~~In Sedona, Arizona or Ellenville, New York, at another training location we select at our discretion, or in an online format~~
~~Management and Leadership~~	~~1~~	~~0~~	~~In Sedona, Arizona or Ellenville, New York, at another training location we select at our discretion, or in an online format~~
~~BBC CEO Sharing~~	~~1~~	~~0~~	~~In Sedona, Arizona or Ellenville, New York, at another training location we select at our discretion, or in an online format~~
Member Care	2	0	In Sedona, Arizona or Ellenville, New York, at another training location we select at our discretion, or in an online format
~~Vision Training~~	~~1~~	~~0~~	~~In Sedona, Arizona or Ellenville, New York, at another training location we select at our discretion, or in an online format~~
Self Management	1	0	In Sedona, Arizona or Ellenville, New York, at another training location we select at our discretion, or in an online format
~~Business Plan~~	~~1~~	~~0~~	~~In Sedona, Arizona or Ellenville, New York, at another training location we select at our discretion, or in an online format~~
Graduation Ceremony	0.5	0	In Sedona, Arizona or Ellenville, New York, at another training location we select at our discretion, or in an online format

TRAINING PROGRAM			
SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS ON THE JOB TRAINING	LOCATION
Total	~~35~~30		

Training Materials

The training materials include the Manual, Merchandise Book and lectures. You will not be charged an additional fee for any of the training materials.

Instructors

~~Hyung Jin Cho~~Jeong Hee Jeon is in charge of our training program. Our other instructors include Eun Jeong Lee.

~~Hyung Jin Cho~~Jeong Hee Jeon was appointed to our Board of Managers in February of ~~2023~~2024 and has served as our President since February of ~~2023~~2024. From ~~August 2016 to~~ January 2019 to October 2023, ~~Mr. Cho~~Ms. Jeon served as ~~a Regional Manager and Senior Trainer~~the Director/Administrator for ~~our parent company, BBYHC,~~Tenerife Healing Garden, SL in ~~Arlington, MA. Mr. Cho~~Santa Cruz, Spain. Ms. Jeon has more than 5 years of experience in the field.

Eun Jeong Lee was appointed to our Board of Managers in February of 2022 and has served as our Operations/Administrative Manager since February of 2018. ~~Ms. Lee served as our Administrative Manager from May of 2017 to January of 2018.~~ Ms. Lee has more than 5 years of experience in the field.

Training Agreement

If you choose to attend the initial training program prior to signing the Franchise Agreement, you must sign the Training Agreement, the form of which is attached to this Disclosure Document as EXHIBIT "D". In that case, you must pay us the $10,000 initial training fee when you sign the Training Agreement (prior to training).

Supplemental Training Programs

As further discussed in Item 5, each Owner is also required to attend the Self-Enrichment Workshop, Qualified Instructor Training and Leadership Training provided by BBYHC. The Self-Enrichment Workshop is held from time to time in numerous cities across the country. Usually, the training facility is located near a Body & Brain Center. The Qualified Instructor Training usually takes place in Arizona or New York. Leadership Training takes place in Arizona or New York. You must complete these training programs before you apply for the franchise.

Ongoing Training

To maintain the uniformity and high standard of goods and services provided by Body & Brain franchisees or to modify these goods or services, we may, but need not, offer periodic additional training programs for franchisees. Attendance at these training programs is optional. You may also request that we provide optional additional training. We are not required to provide this training, but may do so in our discretion.

Training Fees and Costs

later than 2 years after signing the Franchise Agreement, unless we grant you an extension of up to 2 additional years). Your failure to secure an approved location within the required time period constitutes an event of default under the Franchise Agreement.

After you purchase or lease your approved site, you must construct and equip the premises to the specifications contained in the Manual. You must also install the equipment, fixtures, signs and other items that we require. Before you open, we must approve the build-out and layout of your Center. You must remodel and make all improvements and alterations to your Center that we reasonably require from time to time to reflect our then-current image, appearance and facility specifications. There are no limitations on the cost or frequency of these remodeling obligations. You may not remodel or significantly alter your premises without our prior approval.

Advertising Fund (Sections 9.1)

We have established and administer an advertising fund. We administer a single advertising fund for Body & Brain home-based franchisees and Body & Brain Center franchisees. The advertising fund will be used for local, regional or national marketing, advertising, sales promotion and promotional materials, public and consumer relations, publicity, website development, search engine optimization and any other programs that we deem necessary or appropriate. Currently, we intend to use the advertising fund to further develop the publicly accessible Body & Brain website to promote the brand and Body & Brain Centers and Body & Brain home-based franchises. The advertising fund may also be used to pay for the creation of marketing materials that our franchisees may use for local marketing purposes.

Advertising fund fees will be kept in a separate account and revenues received will be accounted for separately from our other funds and will not be used to defray any of our general operating expenses, except for such reasonable salaries, administrative costs and overhead as we may incur in activities reasonably related to the administration or direction of the advertising fund and its local, regional or national advertising programs (which may include, without limitation: conducting market research, preparing and conducting television, radio, magazine, billboard, Internet, newspaper, digital advertising and other media programs and activities and employing advertising agencies to assist therewith, collecting and accounting for contributions to the advertising fund, and paying for the preparation and distribution of marketing materials and financial accountings of the advertising fund). None of the advertising fund fees will be used for advertisements principally directed at selling additional franchises. All funds deposited into the advertising fund that are not used in the fiscal year in which they accrue will be utilized in the following fiscal year. Any surplus of funds in the advertising fund may be invested and we may lend money to the advertising fund if there is a deficit. During the fiscal year ended December 31, ~~2022~~2023, we spent the advertising fund fees in the following manner: 0% for production; 0% for media placement; 0% for administrative expenses; and 100% for other purposes.

You must pay us an advertising fund fee equal to 0.5% of your Program Sales (defined in Item 6). We will deposit into the advertising fund all: (i) advertising fund fees paid by you and other franchisees (unless we allocate the fees to an advertising cooperative); (ii) fines paid by you and other franchisees; and (iii) rebates or other payments we receive from suppliers based on franchisee purchases. Any company-owned Body & Brain Center or Body & Brain home-based business will contribute to the advertising fund on the same basis as our franchisees. However, if we modify the amount or timing of the contributions that must be made to the advertising fund, any company-owned Body & Brain Center or Body & Brain home-based business that is established or acquired after the modification may contribute to the advertising fund utilizing the modified amount or timing. Except as stated in this paragraph, we have no obligation to expend our own funds or resources for any marketing activities in your area.

Our administration of the advertising fund is intended to maximize general public recognition and patronage of the Body & Brain System for the benefit of us and all Body & Brain franchisees and we will use our best policy that we develop. You can market and sell through any other channel of distribution (other than through a website). You cannot solicit, or sell products or services to, any person who is a current member of or has a customer agreement with another franchisee or company-owned Body & Brain business without the consent of the owner(s) of the business with whom the person is a member or customer. There are no other restrictions on your right to solicit customers, whether from inside or outside of your territory.

Minimum Performance Requirements

Your territorial protections do not depend on achieving a certain sales volume, market penetration, or other contingency.

Additional Territories

You are not granted any options, rights of first refusal or similar rights to acquire additional territories or franchises.

Competitive Businesses Under Different Marks

We also offer franchises for Body & Brain home-based franchises. Body & Brain home-based franchises operate under the same Marks and offer similar services. However, they are not permitted to offer special trainings that Body & Brain Center franchisees may offer. In addition, Body & Brain home-based franchisees cannot operate from a dedicated retail location but must provide "on-site" services at the customers' locations or operate from temporary space. Body & Brain home-based franchises may solicit and sell to customers located in your territory. We do not anticipate any conflicts between Body & Brain home-based franchisees and Body & Brain Center franchisees regarding franchise support or territories. However, Body & Brain home-based franchisees may not solicit or sell to members of a Body & Brain Center or members of another Body & Brain home-based franchisee. Similarly, Body & Brain Center franchisees may not divert customers from other franchisees, including Body & Brain home-based franchisees. We would mediate any dispute in order to promote the best interests of the customers and the Body & Brain brand as a whole.

~~Our~~We, along with our parent company and affiliates, currently operate approximately ~~57~~54 Body & Brain Centers in the United States (~~53~~1 operated by us, 50 operated by BBYHC, and ~~4~~3 operated by CGI, Inc., which is a subsidiary of Dahn World). BBYHC's principal business address is 1234 S. Power Road, Suite 151, Mesa, Arizona 85206. CGI, Inc.'s principal business address is 111 Homans Ave., Closter, New Jersey 07624. None of the Dahn Yoga Centers are franchises. In the past, Dahn Yoga Centers have not operated under the Body & Brain Center Mark. Instead, they have operated under the mark "Dahn Yoga Center." However, in 2015 all Dahn Yoga Centers operated by our parent company and affiliates rebranded to Body & Brain Centers. Dahn Yoga Centers sell goods and services that are similar or identical to the goods and services sold by Body & Brain franchisees, including physical exercise and meditation training. They also offer products and services that are different from, but complementary to, the products and services offered by Body & Brain Centers.

Membership Program

You are to participate in any membership program that we require from time to time. The membership program may include membership privileges for both Dahn Yoga and Body & Brain Centers. You must accept members at your Center according to the terms of the membership program (currently, if a member of another franchised or company-owned Body & Brain Center desires to switch the member's membership to your Center, you must accept the member at your Center). You agree to abide by all rules of the membership program that we specify in the Manual from time to time.

Table 1 - System-wide Outlet Summary For Years ~~2020~~2021 to ~~2022~~2023				
Outlet Type	**Year**	**Outlets at the Start of the Year**	**Outlets at the End of the Year**	**Net Change**
Franchised	~~2020~~2021	~~36~~31	~~31~~26	-5
	~~2021~~2022	~~31~~26	~~26~~23	-~~5~~3
	~~2022~~2023	~~26~~23	~~23~~21	-~~3~~2
Company-Owned	~~2020~~2021	~~63~~60	~~60~~59	-~~3~~1
	~~2021~~2022	~~60~~59	~~59~~57	-~~1~~2
	~~2022~~2023	~~59~~57	~~57~~54	-~~2~~3
Total Outlets	~~2020~~2021	~~99~~91	~~91~~85	-~~8~~6
	~~2021~~2022	~~91~~85	~~85~~80	-~~6~~5
	~~2022~~2023	~~85~~80	~~80~~75	-5

Table 2 - Transfers of Outlets from Franchisees to New Owners (Other than The Franchisor) For Years ~~2020~~2021 to ~~2022~~2023		
State	**Year**	**Number of Transfers**
Illinois	~~2020~~2021	~~1~~0
	~~2021~~2022	0
	~~2022~~2023	~~0~~1
New Jersey	~~2020~~2021	~~0~~1
	~~2021~~2022	~~1~~0
	~~2022~~2023	0
Total	~~2020~~2021	1
	~~2021~~2022	~~1~~0
	~~2022~~2023	~~0~~1

Table 3 - Status of Franchised Outlets For Years ~~2020~~2021 to ~~2022~~2023								
State	**Year**	**Outlets at Start of Year**	**Outlets Opened**	**Termin-ations**	**Non-Renewals**	**Reacquired by Franchisor**	**Ceased Operations - Other Reasons**	**Outlets at End of Year**
Arizona	~~2020~~2021	1	0	0	0	0	~~0~~1	~~1~~0
	~~2021~~2022	~~1~~0	0	0	0	0	~~1~~0	0
	~~2022~~2023	0	0	0	0	0	0	0
California	~~2020~~2021	4	0	0	0	0	~~0~~2	~~4~~2
	~~2021~~2022	~~4~~2	0	0	0	0	~~2~~0	2
	~~2022~~2023	2	0	0	0	0	0	2
Colorado	~~2020~~2021	2	0	0	0	~~0~~1	0	~~2~~1
	~~2021~~2022	~~2~~1	0	0	0	~~1~~0	0	1
	~~2022~~2023	1	0	0	0	0	0	1
Florida	~~2020~~2021	3	0	0	0	0	0	3
	~~2021~~2022	3	0	0	0	0	0	3
	~~2022~~2023	3	0	0	0	0	0	3
Georgia	~~2020~~2021	~~1~~0	0	0	0	~~1~~0	0	0
	~~2021~~2022	0	0	0	0	0	0	0
	~~2022~~2023	0	0	0	0	0	0	0
Illinois	~~2020~~2021	~~5~~4	0	0	0	0	~~1~~0	4

Table 3 - Status of Franchised Outlets
For Years ~~2020~~2021 to ~~2022~~2023

State	Year	Outlets at Start of Year	Outlets Opened	Termin-ations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of Year
	~~2021~~2022	4	0	0	0	0	~~0~~1	~~4~~3
	~~2022~~2023	~~4~~3	0	0	~~0~~1	0	~~1~~0	~~3~~2
Maryland	~~2020~~2021	~~1~~0	0	0	~~1~~0	0	0	0
	~~2021~~2022	0	0	0	0	0	0	0
	~~2022~~2023	0	0	0	0	0	0	0
Massachusetts	~~2020~~2021	1	0	0	0	0	0	1
	~~2021~~2022	1	0	0	0	0	0	1
	~~2022~~2023	1	0	0	0	0	0	1
Minnesota	~~2020~~2021	~~2~~1	0	0	0	0	~~1~~0	1
	~~2021~~2022	1	0	0	0	0	0	1
	~~2022~~2023	1	0	0	0	0	0	1
New Jersey	~~2020~~2021	2	0	0	0	0	0	2
	~~2021~~2022	2	0	0	0	0	~~0~~1	~~2~~1
	~~2022~~2023	~~2~~1	0	0	0	0	~~1~~0	1
New York	~~2020~~2021	~~6~~5	0	0	~~1~~0	0	0	5
	~~2021~~2022	5	0	0	0	0	~~0~~1	~~5~~4
	~~2022~~2023	~~5~~4	0	0	0	0	~~1~~0	4
North Carolina	~~2020~~2021	1	0	0	0	0	0	1
	~~2021~~2022	1	0	0	0	0	0	1
	~~2022~~2023	1	0	0	0	0	0	1
Oregon	~~2020~~2021	2	0	0	0	0	0	2
	~~2021~~2022	2	0	0	0	0	0	2
	~~2022~~2023	2	~~0~~1	0	0	0	~~0~~1	2
Texas	~~2020~~2021	2	0	0	0	0	~~0~~1	~~2~~1
	~~2021~~2022	~~2~~1	0	0	0	0	~~1~~0	1
	~~2022~~2023	1	0	0	0	0	0	1
Virginia	~~2020~~2021	1	0	0	0	0	0	1
	~~2021~~2022	1	~~0~~1	0	0	0	~~0~~1	1
	~~2022~~2023	1	~~1~~0	0	0	0	~~1~~0	1
Washington	~~2020~~2021	2	0	0	0	0	0	2
	~~2021~~2022	2	0	0	0	0	0	2
	~~2022~~2023	2	0	0	0	0	~~0~~1	~~2~~1
Totals	~~2020~~2021	~~36~~31	0	0	~~2~~0	1	~~2~~4	~~31~~26
	~~2021~~2022	~~31~~26	~~0~~1	0	0	~~1~~0	4	~~26~~23
	~~2022~~2023	~~26~~23	1	0	~~0~~1	0	~~4~~2	~~23~~21

Table 4 - Status of Company-Owned Outlets
For Years ~~2020~~2021 to ~~2022~~2023

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Arizona	~~2020~~2021	~~3~~4	~~1~~0	0	~~0~~1	0	~~4~~3
	~~2021~~2022	~~4~~3	~~0~~1	0	~~1~~0	0	~~3~~4
	~~2022~~2023	~~3~~4	~~1~~0	0	0	0	4
California	~~2020~~2021	~~10~~8	~~0~~1	0	~~2~~0	0	~~8~~9

Table 4 - Status of Company-Owned Outlets For Years ~~2020~~2021 to ~~2022~~2023							
State	**Year**	**Outlets at Start of Year**	**Outlets Opened**	**Outlets Reacquired From Franchisee**	**Outlets Closed**	**Outlets Sold to Franchisee**	**Outlets at End of Year**
	~~2021~~2022	~~8~~9	~~1~~0	0	0	0	9
	~~2022~~2023	9	0	0	0	0	9
Colorado	~~2020~~2021	2	0	~~0~~1	0	0	~~2~~3
	~~2021~~2022	~~2~~3	0	~~1~~0	0	0	3
	~~2022~~2023	3	0	0	0	0	3
Georgia	~~2020~~2021	~~3~~4	0	~~1~~0	~~0~~1	0	~~4~~3
	~~2021~~2022	~~4~~3	0	0	~~1~~0	0	3
	~~2022~~2023	3	0	0	0	0	3
Hawaii	~~2020~~2021	~~4~~3	0	0	~~1~~0	0	3
	~~2021~~2022	3	0	0	0	0	3
	~~2022~~2023	3	0	0	0	0	3
Illinois	~~2020~~2021	6	0	0	0	0	6
	~~2021~~2022	6	0	0	~~0~~1	0	~~6~~5
	~~2022~~2023	~~6~~5	0	0	1	0	~~5~~4
Maryland	~~2020~~2021	~~0~~1	~~1~~0	0	0	0	1
	~~2021~~2022	1	0	0	0	0	1
	~~2022~~2023	1	0	0	0	0	1
Massachusetts	~~2020~~2021	3	0	0	0	0	3
	~~2021~~2022	3	0	0	0	0	3
	~~2022~~2023	3	0	0	0	0	3
New Mexico	~~2020~~2021	~~3~~2	0	0	~~1~~0	0	2
	~~2021~~2022	2	0	0	0	0	2
	~~2022~~2023	2	0	0	0	0	2
Nevada	~~2020~~2021	3	0	0	0	0	3
	~~2021~~2022	3	0	0	0	0	3
	~~2022~~2023	3	0	0	0	0	3
New Jersey	~~2020~~2021	2	0	0	0	0	2
	~~2021~~2022	2	0	0	0	0	2
	~~2022~~2023	2	0	0	~~0~~1	0	~~2~~1
New York	~~2020~~2021	~~11~~10	0	0	~~1~~0	0	10
	~~2021~~2022	10	0	0	0	0	10
	~~2022~~2023	10	0	0	~~0~~1	0	~~10~~9
Oregon	~~2020~~2021	2	0	0	~~0~~1	0	~~2~~1
	~~2021~~2022	~~2~~1	0	0	1	0	~~1~~0
	~~2022~~2023	~~1~~0	0	0	~~1~~0	0	0
Texas	~~2020~~2021	~~6~~5	0	0	~~1~~0	0	5
	~~2021~~2022	5	0	0	0	0	5
	~~2022~~2023	5	0	0	0	0	5
Virginia	~~2020~~2021	1	0	0	0	0	1
	~~2021~~2022	1	0	0	0	0	1
	~~2022~~2023	1	0	0	0	0	1
Washington	~~2020~~2021	4	0	0	0	0	4
	~~2021~~2022	4	0	0	~~0~~1	0	~~4~~3
	~~2022~~2023	~~4~~3	0	0	~~1~~0	0	3
Total	~~2020~~2021	~~63~~60	~~2~~1	1	~~6~~3	0	~~60~~59
	~~2021~~2022	~~60~~59	1	~~1~~0	3	0	~~59~~57
	~~2022~~2023	~~59~~57	~~1~~0	0	3	0	~~57~~54

TABLE 5 - PROJECTED OPENINGS AS OF DECEMBER 31, ~~2022~~2023			
State	**Franchise Agreements Signed But Outlet Not Opened**	**Projected New Franchised Outlets in the Next Fiscal Year**	**Projected New Company-Owned Outlets in the Next Fiscal Year**
~~California~~	~~0~~	~~0~~	~~1~~
Florida	0	1	0
~~Illinois~~	~~0~~	~~0~~	~~1~~
~~New York~~	~~0~~	~~1~~	~~0~~
~~Oregon~~	~~1~~	~~0~~	~~0~~
Total	~~1~~0	~~2~~1	~~2~~0

Notes:

1. Our fiscal year ends on December 31. All references to years in these Tables refer to December 31 of that year. The outlets listed in Tables 1 through 4 only refer to outlets that are open on the relevant date.

2. The transfers listed in Table 2 only refer to outlets that were transferred after opening. In addition to the transfers listed in Table 2, 1 franchisee transferred its franchise agreement for an unopened outlet in 2021.

3. The transactions listed in Table 3 only refer to franchisees that left the system after opening their outlets. No franchisees left the system prior to opening in ~~2020,~~ 2021, 2022 or ~~2022~~2023.

4. The outlets listed in the 2nd column in Table 5 ("Franchise Agreements Signed But Outlet Not Opened") include all franchise agreements that were signed for unopened centers as of December 31, ~~2022~~2023. The outlets listed in the 3rd column in Table 5 ("Projected New Franchised Outlets in the Next Fiscal Year") include all outlets that we expect to open during the current fiscal year, including any outlets listed in the 2nd column that we expect to open this fiscal year.

A list of all current Body & Brain Center franchisees is attached to this Disclosure Document as EXHIBIT "J" (Part A), including their names and the addresses and telephone numbers of their outlets as of December 31, ~~2022~~2023. In addition, EXHIBIT "J" (Part B) lists the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this Disclosure Document. **If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

During the last three fiscal years, we have signed confidentiality clauses with some current and former franchisees. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you. There are no: (i) trademark-specific franchisee organization associated with the franchise system offered that we have created, sponsored or endorsed; or (ii) independent franchisee organizations that have asked to be included in this Disclosure Document.

ITEM 21 FINANCIAL STATEMENTS

Audited financial statements of Body and Brain Center, LLC for the years ended December 31, ~~2022~~2023, December 31, ~~2021~~2022 and December 31, ~~2020~~2021 are attached to this Disclosure Document as parties irrevocably waive any objection to such venue. If we or you must enforce this Agreement in a judicial or arbitration proceeding, the substantially prevailing party will be entitled to reimbursement of its costs and expenses, including reasonable accounting and legal fees. In addition, if you breach any term of this Agreement or any other agreement with us or an affiliate of ours, you agree to reimburse us for all reasonable legal fees and other expenses we incur relating to such breach, regardless of whether the breach is cured prior to the commencement of any dispute resolution proceedings. **UNLESS PROHIBITED BY APPLICABLE LAW, ANY DISPUTE (OTHER THAN FOR PAYMENT OF MONIES OWED OR A VIOLATION OF SECTION 14 OR SECTION 17) MUST BE BROUGHT BY FILING A WRITTEN DEMAND FOR ARBITRATION (OR IF PERMITTED, LITIGATION) WITHIN ONE (1) YEAR FOLLOWING THE CONDUCT, ACT OR OTHER EVENT OR OCCURRENCE GIVING RISE TO THE CLAIM, OR THE RIGHT TO ANY REMEDY WILL BE DEEMED FOREVER WAIVED AND BARRED. UNLESS OTHERWISE PRESCRIBED BY LAW, WE AND YOU IRREVOCABLY WAIVE: (i) TRIAL BY JURY; AND (ii) THE RIGHT TO ARBITRATE OR LITIGATE ON A CLASS ACTION BASIS, IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THE PARTIES.**

23. YOUR REPRESENTATIONS. ~~YOU HEREBY REPRESENT THAT: (i) YOU HAVE NOT RECEIVED OR RELIED UPON ANY WARRANTY OR GUARANTEE, EXPRESS OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS OR SUCCESS OF THE BUSINESS CONTEMPLATED BY THIS AGREEMENT, EXCEPT FOR ANY INFORMATION DISCLOSED IN THE FRANCHISE DISCLOSURE DOCUMENT; (ii) YOU HAVE NO KNOWLEDGE OF ANY REPRESENTATIONS BY US OR ANY OF OUR OFFICERS, DIRECTORS, MEMBERS, MANAGERS, EMPLOYEES OR REPRESENTATIVES ABOUT THE BUSINESS CONTEMPLATED BY THIS AGREEMENT THAT ARE CONTRARY TO THE TERMS OF THIS AGREEMENT OR THE FRANCHISE DISCLOSURE DOCUMENT; (iii) YOU RECEIVED (1)~~ YOU HEREBY REPRESENT THAT: (i) YOU RECEIVED AN EXACT COPY OF THIS AGREEMENT AND ITS ATTACHMENTS AT LEAST FIVE (5) BUSINESS DAYS PRIOR TO THE DATE ON WHICH THIS AGREEMENT IS EXECUTED; AND (~~2) OUR FRANCHISE DISCLOSURE DOCUMENT AT THE EARLIER OF (A) TEN (10) BUSINESS DAYS BEFORE YOU SIGNED A BINDING AGREEMENT WITH, OR PAID ANY MONEY TO, US OR OUR AFFILIATES FOR THE FRANCHISE RELATIONSHIP OR (B) AT SUCH EARLIER TIME IN THE SALES PROCESS THAT YOU REQUESTED A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT; (iv~~ii) YOU ARE AWARE OF THE FACT THAT OTHER PRESENT OR FUTURE FRANCHISEES OF OURS MAY OPERATE UNDER DIFFERENT FORMS OF AGREEMENT AND CONSEQUENTLY THAT OUR OBLIGATIONS AND RIGHTS WITH RESPECT TO OUR VARIOUS FRANCHISEES MAY DIFFER MATERIALLY IN CERTAIN CIRCUMSTANCES~~; AND (v) YOU HAVE CONDUCTED AN INDEPENDENT INVESTIGATION OF THE BUSINESS CONTEMPLATED BY THIS AGREEMENT AND RECOGNIZE THAT IT INVOLVES BUSINESS RISKS, MAKING THE SUCCESS OF THE VENTURE LARGELY DEPENDENT UPON YOUR OWN BUSINESS ABILITIES, EFFORTS AND JUDGMENTS, AND THE SERVICES OF YOU AND THOSE YOU EMPLOY~~.

24. GENERAL PROVISIONS

24.1 Governing Law. Except as governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§ 1051, et seq.), this Agreement and the franchise relationship shall be governed by the laws of the State of Arizona (without reference to its principles of conflicts of law), but any law of the State of Arizona that regulates the offer and sale of franchises or business opportunities or governs the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this Section.

24.2 Relationship of the Parties. You understand and agree that nothing in this Agreement for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed $1,000. The parties agree that each section of this Agreement, including each subsection, is severable. In the event that any section or subsection of this Agreement is unenforceable, it will not affect the enforceability of any other section or subsection and each party to this Agreement stipulates and agrees that either (i) the court may impose terms that it deems in its discretion will make the covenants reasonable in terms of their scope, duration and geographical restraint or (ii) we may unilaterally reduce the scope of the covenants to the minimum extent necessary to make them reasonable and enforceable in terms of scope, duration and geographic restraint. You acknowledge and agree that you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of these covenants. You waive any right to challenge these covenants as being overly broad, unreasonable or otherwise unenforceable.

6 REPRESENTATION. You hereby represent that you received ~~(i)~~ an exact copy of this Agreement at least five (5) business days before the date on which this Agreement is signed~~; and (ii) our Franchise Disclosure Document at the earlier of (a) ten (10) business days before you signed a binding agreement or paid any money to us or our affiliates or (b) at an earlier time in the sales process that you requested a copy~~.

7 MISCELLANEOUS.

7.1 Binding Agreement. This Agreement shall be binding upon you and your heirs, personal representatives, successors and assigns, and shall be for the benefit of us and our respective heirs, personal representatives, successors and assigns. All provisions of this Agreement which by their nature survive termination or expiration of this Agreement shall so survive.

7.2 Governing Law. This Agreement shall be governed by, construed and enforced under the laws of the State of Arizona, whose courts shall have jurisdiction over any legal proceedings arising out of this Agreement.

7.3 Attorneys' Fees. If we retain an attorney or institute a suit against you in any way connected with this Agreement or its enforcement, we (if prevailing) shall be entitled to recover from you reasonable attorneys' fees (not to exceed actual attorneys' fees incurred) and all costs in connection with said enforcement or suit, whether or not suit is filed.

7.4 Entire Agreement. This Agreement constitutes the entire agreement and understanding between you and us and supersedes any prior or contemporaneous agreements or understandings, whether written or oral, relating to the matters contained herein, and such agreement and understanding may be altered or amended only by a writing signed by both parties hereto. Nothing in this Agreement is intended to disclaim any of the representations we made in the Franchise Disclosure Document.

7.5 Assignment. You may not assign this Agreement or any of your rights or responsibilities. This Agreement may be assigned by us.

7.6 Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document.

WAIVER AND RELEASE OF CLAIMS

This Waiver and Release of Claims (the "Release") is ~~made~~entered into as of __________ ___, 20___ by _________________________, a(n) ___________________ ("Franchisee"), and each individual holding an ownership interest in Franchisee (collectively with Franchisee, "Releasor") in favor of Body and Brain Center, LLC, an Arizona limited liability company ("Franchisor," and together with Releasor, the "Parties").

WHEREAS, Franchisor and Franchisee have entered into a Franchise Agreement (the "Agreement") pursuant to which Franchisee was granted the right to own and operate a Body & Brain Center;

WHEREAS, Franchisee has notified Franchisor of its desire to transfer the Agreement and all rights related thereto, or an ownership interest in Franchisee, to a transferee, **[enter into a successor franchise agreement]** and Franchisor has consented to the transfer **[agreed to enter into a successor franchise agreement]**; and

WHEREAS, as a condition to Franchisor's consent to the transfer **[Franchisee's ability to enter into a successor franchise agreement]**, Releasor has agreed to sign this Release upon the terms and conditions stated below.

NOW, THEREFORE, in consideration of Franchisor's consent to the transfer **[Franchisor entering into a successor franchise agreement]**, and for other good and valuable consideration, the sufficiency and receipt of which are acknowledged, and intending to be legally bound, Releasor agrees as follows:

1. Representations and Warranties. Releasor represents and warrants that it is duly authorized to enter into this Release and to perform the terms and obligations contained in this Release, and has not assigned, transferred or conveyed, either voluntarily or by operation of law, any of its rights or claims against Franchisor or any of the rights, claims or obligations being terminated and released hereunder. [_________________________] represents and warrants that he/she is duly authorized to enter into and sign this Release for Franchisee. Releasor represents and warrants that all individuals that currently hold a direct or indirect ownership interest in Franchisee are signatories to this Release.

2. Release. Releasor and its subsidiaries, affiliates, parents, divisions, successors and assigns and all persons or firms claiming by, through, under, or for any or all of them, release, acquit and forever discharge Franchisor, all of its affiliates, parents, subsidiaries or related companies, divisions and partnerships, the owners or creators of the intellectual property licensed under the Agreement, persons or entities allegedly controlling or acting in concert with Franchisor, persons or entities that referred customers to Releasor, and persons or entities to whom Releasor referred customers, and its and their past and present officers, directors, agents, partners, shareholders, members, founders, managers, employees, representatives, successors and assigns, and attorneys, and the spouses of those individuals (collectively, the "Released Parties"), from all claims, liabilities, damages, expenses, actions or causes of action which Releasor may now have or has ever had, whether known or unknown, past or present, absolute or contingent, suspected or unsuspected, of any nature no matter what, including all claims, liabilities, damages, expenses, actions or causes of action directly or indirectly arising out of or involving the signing and performance of the Agreement and the offer and sale of the franchise related thereto.

3. Nondisparagement. Releasor expressly covenants and agrees not to make any false representation of facts, or to defame, disparage, discredit or deprecate any of the Released Parties or otherwise communicate with any person or entity in a manner intending to damage any of the Released

Schedule A

No.	Program Name	Commission Rate
~~1~~	~~**BETW with a Regional Trainer**~~	~~**40%**~~
~~2~~	~~**Belly Button Regional Workshop**~~	~~**40%**~~
~~3~~	~~**BNB Awakening**~~	~~**0%**~~
~~4~~	~~**B&B Intensive Class Workshop (Region)**~~	~~**40%**~~
~~5~~	~~**BNB Leadership**~~	~~**0%**~~
~~6~~	~~**BNB Power Camp**~~	~~**20%**~~
~~7~~	~~**Brain Healing Workshop**~~	~~**40%**~~
~~8~~1	**Brain Management Training**	**40%**
~~9~~	~~**Chakra Light Healing**~~	~~**40%**~~
~~10~~	~~**Chunhwa-Canada**~~	~~**20%**~~
~~11~~	~~**Chunhwa-Korea (New)**~~	~~**20%**~~
~~12~~2	**Dahn Master Course**	**40%**
~~13~~3	DMD Black Level 1	40%
~~14~~4	DMD Black Level 2	40%
~~15~~5	DMD Blue Belt	40%
~~16~~6	DMD Red Belt	40%
~~17~~7	~~**Energy Healing Course**~~**Finding True Self**	40%
8	**GwangMyung Arrow Training**	**20%**
9	**Heroes Camp**	**0%**
~~18~~10	IA	40%
11	**Internship**	**0%**
12	**Korea Meditation Tour**	**20%**
~~19~~13	~~**IBEL Leadership**~~**Life Transformation** Course	40%
~~20~~14	~~**IBEL Workshop (Regional)**~~**Love Heals Retreat**	40%
~~21~~	~~**Internship**~~	~~**0%**~~
~~22~~15	**MIT**	**0%**
~~23~~16	New Zealand ~~**Chunhwa**~~ Meditation ~~**Suhaeng**~~**Tour**	20%
~~24~~17	~~**Oceana Session with Skype**~~**Power Brain Training**	40%
~~25~~18	Private Session	40%
~~26~~19	Regional Workshop	40%
~~27~~20	Regular Class Membership (First time only)	30%

~~**28**~~	~~**Sedona Meditation Tour**~~	~~**20%**~~
~~**29**~~	~~**Shimsung**~~	~~**40%**~~
~~**30**~~**21**	**Solar Body ~~System Training~~Qigong**	**40%**
~~**31**~~**22**	Special Training_B.W. (Regional)	40%
~~**32**~~**23**	Special Training_C.H. (Regional)	40%
~~**33**~~**24**	Special Training_C.S. (Regional)	40%
~~**34**~~**25**	Special Workshop	30%
26	**Sedona-Grand Canyon Meditation Tour**	**20%**
27	**Tenerife Meditation Tour**	**20%**
28	**WaterUpFireDown Retreat**	**40%**
29	**Wisdom Pathways**	**20%**

SOFTWARE SERVICE AGREEMENT

This Software Service Agreement (“Agreement”) is ~~dated~~entered into as of _____________, 20___ (“Effective Date”), and is between Body & Brain Yoga and Health Centers, Inc. (“Provider”) and the undersigned client (“Client”). Provider and Client are each referred to herein as a “Party” and collectively as the “Parties.”

WHEREAS, Provider is engaged in the business of providing yoga and wellness classes and programs, and is experienced in developing and maintaining online software specifically designed for the yoga and wellness industry;

WHEREAS, Client is in need of software for accounting and customer management; and

WHEREAS, Client wishes to receive from Provider, and Provider wishes to provide to Client, certain software service subject to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the adequacy and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

Article 1. TERM AND TERMINATION

Section 1.1. Term. The term of this Agreement shall commence as of the Effective Date and shall continue for a period of 1 month unless sooner terminated pursuant to the terms of this Agreement (“Term”). The Term shall be extended for additional, consecutive 1 month periods, unless either Party gives the other Party written notice of termination at least 30 days prior to the expiration of the then current Term.

Section 1.2. Termination. This Agreement may be terminated by the mutual consent of the Parties. Either Party may terminate this Agreement for violation by the other Party of any material terms or conditions of this Agreement, provided that written notice has been given to such other Party of the circumstances of such default and, where the default is capable of remedy, such other Party does not remedy the default within 10 days after receipt of the written notice.

Article 2. PROVIDER OBLIGATIONS

Section 2.1. Software Service. During the Term, Provider will provide or cause to be provided software service with regard to the following as may be amended in writing by the Parties from time to time (“Software Service”): Providing and maintaining the BRMNet software, a web-based point of sale system designed to be used in electronically managing accounting, customer relationships, and customer contracts, for the operation of one wellness business.

Section 2.2. Restoration of Data. If Client’s machine-readable files are lost, destroyed or impaired, Provider will attempt to recover a prior version of the files from back-up media maintained by Provider. If Provider is unable to restore Client’s files from back-up media, Provider will use commercially reasonable efforts to perform such restoration as can reasonably be performed using machine-readable source data furnished by Client. Any recovery or restoral efforts in addition to the foregoing or with respect to Client’s files that are lost, destroyed, or impaired by the acts or omissions of Client or its personnel or third party contractors will be performed under mutually agreed-upon terms and conditions.

Article 3. CLIENT OBLIGATIONS

Section 3.1. Fees for Software Service. During the Term, Client shall pay to Provider for the Software Service as follows: The monthly fee for the Software Service is $40.

EXHIBIT "J"

TO DISCLOSURE DOCUMENT

LIST OF FRANCHISEES

Part A (Body & Brain Center Franchisees as of December 31, ~~2022~~2023)

State	City	Address	Phone	Owner Name(s)
California*	Anaheim	5753 E. Santa Ana Canyon Rd. Anaheim, CA 92807	714-283-0046	Woo Myung Son (Holistic Yoga & Health, LLC)
California	Garden Grove	13041 Galway St., Unit D, Garden Grove, CA 92844	714-537-3499	Woo Myung Son (Holistic Yoga & Health, LLC)
California	Irvine	4940 Irvine Blvd., Ste. 109 Irvine, CA 92620	714-669-8330	Kyungmin Kim (HongIk, LLC)
~~California*~~	~~Monrovia~~	~~120 W. Lemon Ave. Monrovia, CA 91015~~	~~626-386-5300~~	~~Junie Lee (Body and Brain of Monrovia)~~
California*	Westminster	14342 Jacaranda Ln. Westminster, CA 92683	703-359-7282	Huy Nguyen
Colorado	Golden	1211 Avery St. Golden, CO 80403	303-278-0382	Maxine Wagoner (Golden Body & Brain Yoga & Taichi, LLC)
Florida	Miami	12851 SW 42nd St., Ste. 107 Miami, FL 33175	786-332-3337	Jiyong Kong (STI Network, Inc.)
Florida	Coral Gables	1911 Ponce de Leon Blvd. Coral Gables, FL 33134	305-443-7617	Jiyong Kong (STI Network, Inc.)
Florida	Pinecrest	9719 SW Dixie Hwy., #8 Pinecrest, FL 33156	305-640-8736	Jiyong Kong (STI Network, Inc.)
Georgia*	Atlanta	4200 Paces Ferry Rd. SE., Ste. 172 Atlanta, GA 30339	770-993-8555	Penelope Costanzo (PPC Group, LLC)
~~Illinois~~	~~Bloomingdale~~	~~369 W. Army Trail Rd ste 201, Bloomingdale, IL 60108~~	~~630-529-1633~~	~~Isolde Schroeder~~
Illinois*	Crystal Lake	5899 Northwest Hwy., Unit B Crystal Lake, IL 60014	815-347-2659	Viorel Neil Achim
Illinois	Norridge	7825 W. Lawrence Ave. Norridge IL 60706	708-716-3106	JoAnn Dickson, Randy Dickson
Illinois	Skokie	3421 Dempster St. Skokie, IL 60076	847-410-7209	~~Christopher Gallagher~~Kenneth Hong
Massachusetts	Lawrence	290 Merrimack St. Lawrence, MA 01843	978-688-5200	Barbara Maffeo & Sholeh Gharib
Minnesota*	Maple Grove	9672 63rd Ave. N., Ste. #109 Maple Grove, MN 55369	763-208-4246	Hong Young Kim (Chun Hwa Yoga, LLC)
Minnesota	Minnetonka	11012 Cedar Lake Rd. Minnetonka, MN 55305	952-513-7285	Hong Young Kim (Chun Hwa Yoga, LLC)
New Jersey	Wyckoff	525 Cedar Hill Ave. 2nd floor Wyckoff, NJ 07481	201-444-6020	John Thompson (Chakra Healing, LLC)
New York	Franklin Square	943 Hempstead Turnpike, Franklin Square, NY 11010	516-673-4140	Maryann Krescher
New York	Kew Gardens Hills	147-37 Charter Rd. Kew Gardens Hills, NY 11435	718-969-1932	Dvusha Kamerman (Integrative Yoga, LLC)
New York	Lynbrook	29 Hempstead Ave. Lynbrook, NY 11563	516-612-3737	Rose Brun (Body n Brain Holistic Yoga, LLC)

State	City	Address	Phone	Owner Name(s)
New York	Mineola	365 Hillside Ave. Mineola, NY 11501	516-506-7659	Joyce Peprah (Body & Brain Center Yoga Tai Chi, LLC)
North Carolina	Raleigh	6300 Creedmoor Rd., Ste. 120 Raleigh, NC 27613	919-518-0890	Susan Lee (Blue Heron Healing, LLC)
Oregon	~~Portland~~Beaverton	~~18335 NW West Union Rd.,~~14845 SW Murray Scholls Dr Ste~~. L Portland~~ 106, Beaverton, OR ~~97229,~~ 97007	~~503-615-8712~~971-427-0250	~~HaeJung~~Junie Lee ~~(Hae Rim LLC)~~
Oregon	West Linn	18750 Willamette Dr. West Linn, OR 97068	503-657-3673	Cindy Park (Holistic Fitness Yoga & Tai Chi, LLC)
Texas	Conroe	3570-3600 FM 1488 Rd., Ste. 175 Conroe, TX 77384	936-235-4924	Cherie Clark-Moore (The Mindfulness Studio LLC)
Virginia	Centreville	14098 Lee Hwy, Centreville, VA 20120	703-266-5363	Donggun Moon (Namoo Yoga, Inc)
Washington	Everett	1319 Hewitt Ave. Everett, WA 98201	425-512-9277	Maki Perry (Mago's Dream, LLC)
Washington*	Lynnwood	18421 Highway 99 Unit C Lynnwood WA 98037	425-776-9642	Chris Windle (Earth Green, LLC)

* These franchisees ceased operations, but did not leave the system because they are continuing their franchise agreements with the possibility of re-opening their outlets. Since their franchise agreements remain in effect, they are franchisees on "inactive status." Their outlets are also counted as "ceased operations" in Table 3 of Item 20.

**** These franchisees have signed franchise agreements but were not yet opened as of December 31, 2023.**

Part B (Former Body & Brain Center Franchisees Who Left System During Prior Fiscal Year)

State	City	Current Business Phone or Last Known Home Phone	Owner Name(s)
~~New Jersey~~Oregon	~~Wayne~~Portland	~~973-832-7020~~503-615-8712	~~Wheeler, Ann~~ Lee, HaeJung
~~New York~~Illinois	~~Syosset~~Bloomingdale	~~516-364-3413~~630-506-4845	~~Ahr, Edward~~ Schroeder, Isolde
~~Virginia~~Illinois	~~Vienna~~Skokie	~~703-242-1390~~224-216-8172	~~Pierce, Paula~~ Gallagher, Christopher

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

BODY AND BRAIN CENTER, LLC

Financial Statements

Years Ended December 31, 2022 and 2021

with

Independent Auditors' Report

ABC CPAs
3435 WILSHIRE BLVD. SUITE 600
LOS ANGELES, CA 90010

ABC CPAs

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INDEPENDENT AUDITORS' REPORT

To the Members
BODY AND BRAIN CENTER, LLC

Opinion

We have audited the financial statements of Body and Brain Center, LLC (an Arizona limited liability company and wholly owned subsidiary of Body & Brain Yoga and Health Centers, Inc.), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statement of income, changes in member's equity, and cash flows for the years then ended, and the related notes to the financial statements. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Body and Brain Center, LLC as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounts principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Body and Brain Center, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is required to evaluate whether there are conditions or events considered in the aggregate that raise substantial doubt that Body and Brain Center, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exist. The risk of not detecting material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

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In performing an audit in accordance with GAAS we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Body and Brain Center, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Body and Brain Center LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

ABC CPAs
Los Angeles, CA

February 7, 2023

BODY AND BRAIN CENTER, LLC

Financial Statements

with

Independent Auditors' Report

Years Ended December 31, 2022 and 2021

Table of Contents

BODY AND BRAIN CENTER, LLC
Balance Sheet
December 31, 2022 and 2021

	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	$ 257,831	$ 292,639
Accounts receivable, Net	19,249	16,574
Interest receivable	594	204
Other receivable	200	-
Tax receivable - Employee Retention Credit	-	28,703
Note receivable	380,000	380,000
Prepaid expenses	5,031	4,427
Total Current Assets	662,906	722,547
Other Assets		
Goodwill	12,885	-
Security Deposits	3,325	-
Total Other Assets	16,210	-
Restricited Cash	435,995	381,361
Right-of-Use Assets	83,216	-
Total Assets	$ 1,198,327	$ 1,103,908

	2022	2021
Liabilities and Member's Equity		
Current Liabilities		
Accounts payable	$ 80,806	$ 78,504
Accrued liabilities	19,144	19,158
Deferred revenue	70,540	70,540
Other payable	2,420	5,945
Lease Liabilities, current portion	41,649	-
Unearned revenue, current portion	17,978	10,304
Total Current Liabilities	232,536	184,451
Non Current Liabilities		
Lease Liabilities	42,427	-
Unearned revenue	14,457	17,664
Total Non Current Liabilities	56,884	17,664
Total Liabilities	289,420	202,115
Member's Equity	908,907	901,793
Total Liabilities and Equity	$ 1,198,327	$ 1,103,908

See accompanying accountants' audited report and notes to financial statements.

BODY AND BRAIN CENTER, LLC
Statement of Income and Changes in Member's Equity
Years Ended December 31, 2022 and 2021

	2022	2021
Revenue		
Royalties	$ 204,235	$ 211,186
Initial franchise fee	7,800	5,800
Franchise renewal fee	6,201	6,737
Owner training fee	-	30,000
Advertising fund fee	68,375	65,059
Membership income	20,264	-
Private lesson	168,075	-
Registration fee	1,779	-
Commission Income	19,297	-
Total Revenue	496,025	318,782
Operating Expenses	520,908	312,938
Operating Income	(24,882)	5,844
Other Income		
Interest income	8,526	3,203
Employee leasing income	19,928	24,240
Other income	3,542	218
Other Income	31,996	27,661
Net Income	7,114	33,505
Beginning Member's Equity	901,793	868,288
Ending Member's Equity	$ 908,907	$ 901,793

See accompanying accountants' audited report and notes to financial statements.

BODY AND BRAIN CENTER, LLC
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Net Income	$ 7,114	$ 33,505
Adjustments to reconcile net income to net cash provided by operationg activities		
Right-of-Use assets	(83,216)	-
Lease liabilities	84,076	-
Changes in operating activities		
(Increase) decrease in		
Accounts receivable	(2,676)	(876)
Interest receivable	(390)	(107)
Others receivable	(200)	-
Tax receivable - Employee Retention Credit	28,703	(28,703)
Prepaid expenses	(604)	224
Security Deposits	(3,325)	-
Increase (decrease) in		
Accounts payable	2,302	30,010
Accrued liabilities	(14)	3,398
Deferred revenue	-	(51,000)
Other payable	(3,525)	(190)
Unearned revenue	4,467	(7,537)
Net cash provided by (used in) operating activities	32,712	(21,276)
Cash Flows from Investing Activities		
Goodwill	(12,885)	-
Net cash provided by (used in) investing activities	(12,885)	-
Increase (Decrease) in Cash	19,827	(21,276)
Cash, Cash Equivalents and Restricted Cash - Beginning of year	674,000	695,276
Cash, Cash Equivalents and Restricted Cash - End of year	$ 693,827	$ 674,000

See accompanying accountants' audited report and notes to financial statements.

BODY AND BRAIN CENTER, LLC
Notes to the Financial Statements
December 31, 2022 and 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Company is presented to assist in understanding the Company's financial statements. The financial statements and notes are the representations of the Company's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of Operation

Body and Brain Center, LLC (the "Company") is an Arizona limited liability Company that was organized on December 12, 2007. The Company is a wholly-owned subsidiary of Body & Brain Yoga and Health Centers, Inc. The Company is engaged in the business of franchising a chain of studios providing yoga classes, including dieting programs, exercise programs, relaxation programs, healing programs, life coaching and other mind-body practice programs, known as "Body & Brain" franchisees. Each franchisee independently operates a center using the Marks, the Unique System, the Body and Brain name, as well as the support, guidance and other methods and materials provided or developed by the Company.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates. Estimates are based on management's previous experience including expectations of future events under normal conditions. The aforementioned judgments, estimates and assumptions are periodically re-assessed in order to be in line with current available data and reflect current risks.

Goodwill

Goodwill represents the excess of the amount paid by the Company over the book value of the assets purchased for a direct center. Goodwill is not amortized but tested at least annually for impairment. To determine whether goodwill is impaired, annually or more frequently if needed, the Company performs a multi-step impairment test. The Company may first assess qualitative factors to determine if it is more likely than not that the carrying value of a reporting unit exceeds its estimated fair value.

The Company may also elect to skip the qualitative testing and proceed directly to the quantitative testing. When performing quantitative testing, the Company first estimates the fair values of its reporting units using discounted cash flows. To determine fair values, The Company must make assumptions about a wide variety of internal and external factors. Significant assumptions used in the impairment analysis included financial projections of free

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill (Continued)

cash flow (including significant assumptions about operations, capital requirements and income taxes), long-term growth rates for determining terminal value and discount rates. Comparative market multiples are used to corroborate the results of the discounted cash flow test. If the fair value is less than the carrying value of the reporting unit, then the implied value of goodwill would be calculated and compared to the carrying amount of goodwill to determine whether goodwill is impaired.

Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fine, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. The Company discloses contingent liabilities in the note to the financial statements when the conditions for liability recognition are not met or when a loss form the outcome of future events is more than remote.

Cash and Cash Equivalents

Cash and cash equivalents comprise of cash in bank and on hand. The Company considers highly liquid investments with original maturities of three months or less to be cash and cash equivalents. Cash equivalents are stated at cost, which approximates fair value.

Restricted Cash

Restricted cash consists of amounts in a non-interest bearing checking account held by the Company only to be used for local, regional or national marketing, advertising, sales promotion. As of December 31, 2022, the Company has $435,995 of restricted cash which is classified as a non-current asset.

Accounts Receivable

Accounts receivable are recorded at the amount the Company expects to collect on balances at year-end. The Company maintains an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, current circumstances, and relationship with customer and current payment patterns. As of December 31, 2022, the allowance for doubtful accounts was $6,179.

Accounts receivable is consisted of the following:

	December 31, 2022
Account Receivable	$ 25,428
Less: allowance for doubtful accounts	(6,179)
	$ 19,249

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue

Deferred revenue includes franchise fees that have been paid, but have not yet been earned. The Company will recognize these revenues when all material services or conditions relating to the franchise agreement have been substantially performed until the center is opened.

Deferred revenue also includes advance payments for owner training programs which have not yet taken place. The Company will recognize training revenue when the training is provided to the participants.

Deferred revenue amounted to $70,540 and $70,540 as of December 31, 2022 and 2021, respectively.

Revenue Recognition

The Company's revenue comprises of sales from direct center as well as receipts from franchisees.

1) Revenues from franchisees

Revenues from franchisees consist of initial franchise fees, owner training fees, royalties, and advertising fund fees based on a percentage of each franchisee's program sales. Historically, the initial franchise fees are recognized upon opening of a center, which is when the Company has performed substantially all initial services required by the franchise agreement. Under the amendments on the Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606) issued by the Financial Accounting Standard Board (FASB), the franchise right is a distinct performance obligation that transfers over time. Any portion of the initial fee that is allocated to the franchise right should be recognized over the contract term. Accordingly, the initial franchise fees and renewal fee income is recognized over the contract term. Owner training fee revenue is recognized upon the completion of a training program provided by the Company.

Royalties and advertising fund fees are recognized on a monthly basis and are based upon an agreed upon percentage of franchisees' program sales, as defined in the franchise agreement. Advertising fund fees are restricted for the purpose of marketing, sales promotion and promotional materials and are included in the accompanying balance sheets as restricted cash.

2) Revenues from direct center

Revenues from direct center consist of membership income, private lessons and registration fees. Direct center sales are recognized when services are completed.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising Costs

The Company expenses all advertising costs when incurred. Advertising expense amounted to $16,595 and $6,500 for the years ended December 31, 2022 and 2021, respectively.

Income Taxes

The Company is a single member limited liability company and has followed the default tax classification as a disregarded entity under the provisions of the Internal Revenue Code. Accordingly, the Company does not pay income taxes and does not file income tax returns. Instead, its earnings and losses are included in the income tax return of the sole member. Therefore, the financial statements do not reflect a provision for income taxes.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASC No. 2016-02, Leases *(Topic 842),* aimed at making leasing activities more transparent and comparable. The new standard requires substantially all leases, including operating leases, be recognized by lessees on their balance sheet as a right-of-use asset and corresponding lease liability. ASU No. 2016-02 is effective for the Company on January 1, 2020, and early adoption is permitted. On November 15, 2019, the FASB issued ASU 2019-10, which changes effective date for new standard on lease (ASC 842), to January 1, 2021 from January 1, 2020. In June 2020, the FASB issued ASU 2020-05, which amends the effective date of the board's standards on leasing (ASC 842) to defer the effective date of ASC 842 as a result of the widespread adverse economic effects and business disruptions caused by the coronavirus disease 2019(Covid-16) pandemic.: delay by one year the effective dates of its lease accounting standard for private companies for fiscal years beginning after December 15, 2021. The new standard is effective for the Company on January 1, 2022. The Company has reviewed its leases and in the process of assessing the impact of Topic 842. At the time of adoption, the Company records a right of use asset and a corresponding lease liability.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments.* The amendments in this update address eight specific cash flow issues with the objective of reducing the existing diversity in practice. The new standard is effective for the Company on January 1, 2019.

NOTE B – NOTE RECEIVABLE

Promissory Note Agreement

On June 9, 2022 ("Effective Date"), Body & Brain Yoga and Health Centers, Inc., an Arizona corporation ("Borrower") promises to pay to the order of the Company (the "Lender"), the sum of $230,000 with interest thereon at 3.46% per year. Borrower shall make a monthly payment in the amount of $663.17 for interest. The unpaid principal shall be payable in full on or before June 9, 2023 (the "Due Date").

NOTE B – NOTE RECEIVABLE

Promissory Note Agreement (Continued)

On September 21, 2022 ("Effective Date"), Body & Brain Yoga and Health Centers, Inc., an Arizona corporation ("Borrower") promises to pay to the order of the Company (the "Lender"), the sum of $150,000 with interest thereon at 3.46% per year. Borrower shall make a monthly payment in the amount of $432.50 for interest. The unpaid principal shall be payable in full on or before September 21, 2023 (the "Due Date").

NOTE C - RELATED PARTY TRANSACTIONS

Body & Brain Yoga and Health Centers, Inc.

Body & Brain Yoga and Health Centers, Inc. is the sole member of the Company and is engaged in the business of operating yoga, tai-chi and other mind-body practice.

Advertising Fund Fee Income

Body & Brain Yoga and Health Centers, Inc. orally agrees to pay the Company an advertising fee of 0.5% of program sales for Body & Brain Yoga and Health Centers, Inc. The advertising fund fee income amounts to $54,649, for the year ended December 31, 2022.

Software Service Agreement

On March 1, 2015 ("Effective Date"), the Company (Client) has a software service agreement with Body & Brain Yoga and Health Centers, Inc. (Provider). Provider is engaged in the business of providing yoga and wellness classes and programs, and is experienced in developing and maintaining online software specifically designed for the yoga and wellness industry. This agreement shall be commenced as of the Effective date and shall continue for a period of 1 year or until terminated by the mutual consent of the parties. Under the terms of this agreement, the Company shall pay to Provider $400 per month. Dues and subscription under the agreement amounted to $4,800 and $4,800 for the years ended December 31, 2022 and 2021, respectively.

Operating Lease Agreements

The Company has a premises use agreement with Body & Brain Yoga and Health Centers, Inc. The term of this agreement shall continue for a period of 1 month or until terminated as provided under this agreement. Under the terms of this agreement, the Company has the right to use the permitted portion of the premises, subject to the terms and provisions. Rent expense under the agreement amounted to $9,600 and $9,600 for the years ended December 31, 2022 and 2021, respectively.

NOTE C - RELATED PARTY TRANSACTIONS (CONTINUED)

Overall Management Services Agreements

The Company pays its sole member for management services. Management services include advertising, providing supplies, management oversight, secretarial services, accounting support, training, website development and referral fees. Overall Management services expenses amounted to $22,000 and $0 for the years ended December 31, 2022 and 2021, respectively.

Employee Lease Agreements

The Company has a employee lease agreement with Body & Brain Yoga and Health Centers, Inc. (BBYHC). Under the terms of the agreement, the Company shall lease from BBYHC, certain employees of BBYHC to perform services on a part-time basis as Regional Coordinators, Assistant Regional Coordinators or Support Staff on behalf and under the supervision, of the Company in addition to the services that such employees perform for BBYHC. Employee leasing expense under the agreement amounted to $52,650 and $54,600 for the year ended December 31, 2022 and 2021, respectively.

NOTE D - COMMITMENTS

Franchise Agreement

Franchise agreements provide for payment of initial fees, training fees, as well as continuing royalties and advertising fund fees to the Company based upon a percent of sales. Under this agreement, franchisees are granted a license to use certain trademarks, service marks, logos, trade dress and trade names, including the service marks "Body + Brain" and "Body & Brain Center" (collectively, the "Marks") in the operation of the franchisees.

Revenues from franchised centers consisted of:

	2022	2021
Royalties	$ 204,235	$ 211,186
Initial franchise fees	7,800	5,800
Franchise renewal fees	6,201	6,737
Owner training fees	-	30,000
Advertising fund fees	10,072	10,404
Other fees	-	-
Revenues from franchised centers	$ 228,308	$ 264,127

BODY AND BRAIN CENTER, LLC
Notes to the Financial Statements
December 31, 2022 and 2021

NOTE D - COMMITMENTS (CONTINUED)

Licensing Agreement

The Company (Licensee) has a licensing agreement with BR Consulting, Inc. (Licensor). This agreement automatically renews on an annual basis until terminated.

BR consulting, Inc. is the owner of all the intellectual property rights including, but not limited to, logos, trademarks, service marks, copyrights, and trade secrets which are related with Brain Education programs and/or operating Body & Brain Center. Licensor grants to Licensee, for the term of agreement, a non-exclusive license to use the licensed materials for distribution of Brain Education Programs and/or operation of Body & Brain Center within the authorized region and the right to sublicense the licensed materials to franchisees for the sole purpose of operating Body & Brain Centers pursuant to the terms of franchise agreements within the authorized region.

Under the terms of this agreement, the Company shall pay 20% on the total of the initial franchise fee, franchise renewal fee, training fee and transfer fee and 50% of royalties earned from franchisees by the Company. License expenses under this agreement totaled $142,586 and $114,101 for the years ended December 31, 2022 and 2021, respectively.

As of December 31, 2022, the Company owed $9,906 to BR Consulting Inc., which is included in accounts payable in the accompanying 2021 balance sheet.

Leased Facilities

The Company leases its operating facility under non-cancellable operating lease. The Company also has the right to use the permitted portion of the premises of Body & Brain Yoga and Health Centers, Inc. (BBYHC), subject to the terms and provisions under a premises use agreement.

The following is a schedule by year of minimum future yearly rental payments related to the operating facility lease as of December 31, 2022:

Year ending December 31,	
2023	$ 33,411
2024	34,412
2025	8,666
Total lease payments	76,489
Less: Effects of discounting	3,509
Present value of lease liabilities	$ 74,476

Rent and lease expense totaled $45,369 for the year ended December 31, 2022.

NOTE D - COMMITMENTS (CONTINUED)

Leased Facilities (Continued)

Amounts recognized as right-of-use (ROU) assets related to operating leases for operating facility and the premises of BBYHC are included in non current assets, net in the accompanying balance sheet, while related lease liabilities are included in Current portion of long-term debt and Long-term debt. As of December 31, 2022 right-of-use assets and lease liabilities related to operating leases were as follows:

		December 31, 2022
Operating lease ROU assets	$	83,216
Operating lease liabilities:		
Current portion of lease liabilities		41,649
Non-current portion of lease liabilities		42,427

The Company use an incremental borrowing rate as the discount rate based on the information available at commencement date in determining the present value of lease payments.

Lease Term, Discount Rate and Other Information

	December 31, 2022
Remaining lease term (years)	2.11
Weighted average discount rate	2.30%

NOTE E – FRANCHISING ACTIVITIES

The following table presents the franchisee activity that changed for the year ended December 31, 2022:

	Number of Centers (Retail Center)	Number of Centers (Home Based Center)
Franchised centers as of December 31, 2021	31	7
New franchised centers	1	-
Terminated franchised centers	(3)	-
Total centers as of December 31, 2022	29	7

NOTE F – GOODWILL

March 1, 2022, the Company purchased all of a business known as a yoga, tai-chi or meditation center's rights, title and interest for cash consideration of $15,000. Goodwill was recorded to reflect the excess of amount paid over the book value of the assets purchased.

Net assets	March 1, 2022
Goodwill	$ 12,885
Security Deposit	2,115
Total	$ 15,000

With its annual impairment testing as of December 31, 2022, there was no specific impairment charge in relation to goodwill recorded in the Income Statement.

As of December 31, 2022, the carrying amount of goodwill was $12,885.

NOTE G – CONCENTRATION OF RISK

Credit Risk

Financial instruments that are potentially subjected to the Company in concentration of credit risk consist of cash and cash equivalents. These are deposited and maintained by several financial institutions and at times are in excess of Federal Deposit Insurance Corporation limit of $ 250,000 per financial institution.

NOTE H – SUPPLEMENTAL DISCLOSURES OF CASH FLOW STATEMENT

During the years ended December 31, 2022 and 2021, there was no cash payment for interest

NOTE I – SUBSEQUESNT EVENTS

Date of Management Evaluation

Management has evaluated subsequent events through February 7, 2023, the date on which the financial statements were available to be issued. There were no subsequent events that required recognition or disclosure.

Supplementary Information

BODY AND BRAIN CENTER, LLC
Schedule of Operating Expenses
Years Ended December 31, 2022 and 2021

	2022	2021
Operating Expense		
Advertising and promotional expense	$ 16,595	$ 6,500
Advertising service fee	-	6,000
Automobile Expense	500	45
Award expense	2,650	1,975
Bad debt expense	136	-
Bank service charges	9,176	3,624
Business Promotion	575	-
Dues and subscription	7,207	5,821
Employee Benefit	825	350
Employee leasing fee	52,650	54,600
Health insurance expense	20,167	10,825
Insurance expense	18,644	17,038
Management fee expense	22,000	-
Meals and entertainment	453	96
Miscellaneous Expense	3,567	-
Office supplies	1,086	123
Payroll service fee	3,848	4,008
Payroll tax expense	10,587	7,167
Postage and delivery	365	48
Printing and Reproduction	-	576
Professional fee	12,350	16,836
Rent	45,369	10,417
Repair and Maintenance	277	-
Royalty expense	142,586	114,101
Tax and licenses expense	3,113	2,647
Telephone expense	1,742	143
Travel expense	31	150
Utilities	1,057	-
Wages	143,171	49,849
Workshop Expense	179	-
Total Operating Expenses	520,908	$ 312,938

See accompanying accountants' audited report and notes to financial statements.

BODY AND BRAIN CENTER, LLC

Financial Statements

Years Ended December 31, 2021 and 2020

with

Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Members
BODY AND BRAIN CENTER, LLC

Opinion

We have audited the financial statements of Body and Brain Center, LLC (an Arizona limited liability company and wholly owned subsidiary of Body & Brain Yoga and Health Centers, Inc.), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statement of income, changes in member's equity, and cash flows for the years then ended, and the related notes to the financial statements. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Body and Brain Center, LLC as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounts principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Body and Brain Center, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is required to evaluate whether there are conditions or events considered in the aggregate that raise substantial doubt that Body and Brain Center, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exist. The risk of not detecting material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

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In performing an audit in accordance with GAAS we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Body and Brain Center, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Body and Brain Center LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

ABC CPAs
Los Angeles, CA

February 15, 2022

BODY AND BRAIN CENTER, LLC
Financial Statements
with
Independent Auditors' Report
Years Ended December 31, 2021 and 2020

Table of Contents

BODY AND BRAIN CENTER, LLC
Balance Sheet
December 31, 2021 and 2020

		2021		2020
Assets				
Current Assets				
Cash and cash equivalents	$	292,639	$	370,564
Accounts receivable, Net		16,574		15,698
Interest receivable		204		97
Tax receivable - Employee Retention Credit		28,703		-
Note receivable		380,000		380,000
Prepaid expenses		4,427		4,651
Total Current Assets		722,547		771,010
Restricited Cash		381,361		324,711
Total Assets	$	1,103,908	$	1,095,721

Liabilities and Member's Equity				
Current Liabilities				
Accounts payable	$	78,504	$	48,494
Accrued liabilities		19,158		15,760
Deferred revenue		70,540		121,540
Other payable		5,945		6,135
Unearned revenue, current portion		10,304		9,901
Total Current Liabilities		184,451		201,830
Non Current Liabilities				
Unearned revenue		17,664		25,603
Total Non Current Liabilities		17,664		25,603
Total Liabilities		202,115		227,433
Member's Equity		901,793		868,288
Total Liabilities and Equity	$	1,103,908	$	1,095,721

See accompanying accountants' audited report and notes to financial statements.

BODY AND BRAIN CENTER, LLC
Statement of Income and Changes in Member's Equity
Years Ended December 31, 2021 and 2020

	2021	2020
Revenue		
Royalties	$ 211,186	$ 203,400
Initial franchise fee	5,800	5,800
Franchise renewal fee	6,737	3,748
Owner training fee	30,000	50,000
Transfer fee	-	3,000
Advertising fund fee	65,059	60,969
Total Revenue	318,782	326,917
Operating Expenses	312,938	357,121
Operating Income	5,844	(30,204)
Other Income		
Interest income	3,203	6,789
Employee leasing income	24,240	16,284
Commission Income	-	11,616
Other income	218	-
Other Income	27,661	34,689
Net Income	33,505	4,485
Beginning Member's Equity	868,288	863,803
Ending Member's Equity	$ 901,793	$ 868,288

See accompanying accountants' audited report and notes to financial statements.

BODY AND BRAIN CENTER, LLC
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Net Income	$ 33,505	$ 4,485
Adjustments to reconcile net income to net cash provided by operationg activities		
Changes in operating activities		
(Increase) decrease in		
Accounts receivable	(876)	18,711
Interest receivable	(107)	388
Tax receivable - Employee Retention Credit	(28,703)	-
Prepaid expenses	224	2,396
Increase (decrease) in		
Accounts payable	30,010	30,047
Accrued liabilities	3,398	(2,053)
Deferred revenue	(51,000)	(20,000)
Other payable	(190)	(1,485)
Unearned revenue	(7,537)	(48)
Net cash provided by (used in) operating activities	(21,276)	32,441
Increase (Decrease) in Cash	(21,276)	32,441
Cash, Cash Equivalents and Restricted Cash - Beginning of year	695,276	662,834
Cash, Cash Equivalents and Restricted Cash - End of year	$ 674,000	$ 695,275

See accompanying accountants' audited report and notes to financial statements.

BODY AND BRAIN CENTER, LLC
Notes to the Financial Statements
December 31, 2021 and 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Company is presented to assist in understanding the Company's financial statements. The financial statements and notes are the representations of the Company's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of Operation

Body and Brain Center, LLC (the "Company") is an Arizona limited liability Company that was organized on December 12, 2007. The Company is a wholly-owned subsidiary of Body & Brain Yoga and Health Centers, Inc. The Company is engaged in the business of franchising a chain of studios providing yoga classes, including dieting programs, exercise programs, relaxation programs, healing programs, life coaching and other mind-body practice programs, known as "Body & Brain" franchisees. Each franchisee independently operates a center using the Marks, the Unique System, the Body and Brain name, as well as the support, guidance and other methods and materials provided or developed by the Company.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates. Estimates are based on management's previous experience including expectations of future events under normal conditions. The aforementioned judgments, estimates and assumptions are periodically re-assessed in order to be in line with current available data and reflect current risks.

Cash and Cash Equivalents

Cash and cash equivalents comprise of cash in bank and on hand. The Company considers highly liquid investments with original maturities of three months or less to be cash and cash equivalents. Cash equivalents are stated at cost, which approximates fair value.

Restricted Cash

Restricted cash consists of amounts in a non-interest bearing checking account held by the Company only to be used for local, regional or national marketing, advertising, sales promotion. As of December 31, 2021, the Company has $381,361 of restricted cash which is classified as a non-current asset.

BODY AND BRAIN CENTER, LLC
Notes to the Financial Statements
December 31, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable are recorded at the amount the Company expects to collect on balances at year-end. The Company maintains an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, current circumstances, and relationship with customer and current payment patterns. As of December 31, 2021, the allowance for doubtful accounts was $6,044.

Accounts receivable is consisted of the following:

	December 31, 2021
Account Receivable	$ 22,617
Less: allowance for doubtful accounts	(6,044)
	$ 16,573

Deferred Revenue

Deferred revenue includes franchise fees that have been paid, but have not yet been earned. The Company will recognize these revenues when all material services or conditions relating to the franchise agreement have been substantially performed until the center is opened.

Deferred revenue also includes advance payments for owner training programs which have not yet taken place. The Company will recognize training revenue when the training is provided to the participants.

Deferred revenue amounted to $70,540 and $121,540 as of December 31, 2021 and 2020, respectively.

Revenue Recognition

Revenues from franchisees consist of initial franchise fees, owner training fees, royalties, and advertising fund fees based on a percentage of each franchisee's program sales. Historically, the initial franchise fees are recognized upon opening of a center, which is when the Company has performed substantially all initial services required by the franchise agreement. Under the amendments on the Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606) issued by the Financial Accounting Standard Board (FASB), the franchise right is a distinct performance obligation that transfers over time. Any portion of the initial fee that is allocated to the franchise right should be recognized over the contract term. Accordingly, the initial franchise fees and renewal fee income is recognized over the contract term. Owner training fee revenue is recognized upon the completion of a training program provided by the Company.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Royalties and advertising fund fees are recognized on a monthly basis and are based upon an agreed upon percentage of franchisees' program sales, as defined in the franchise agreement. Advertising fund fees are restricted for the purpose of marketing, sales promotion and promotional materials and are included in the accompanying balance sheets as restricted cash.

Employee Retention Credit

The Company qualified for federal government assistance during the current fiscal year in the amount of approximately $45,150 through Employee Retention Credit provisions of the Consolidated Appropriation Act of 2021. The purpose of the Employee Retention Credit is to encourage employers to keep employees on the payroll, even if they are not working during the covered period due to the effects of the coronavirus outbreak. These funds are recorded in the Statement of Operations as an offset to wages in their respective expense lines and as a tax receivable on the balance sheets which is not received during the year.

Advertising Costs

The Company expenses all advertising costs when incurred. Advertising expense amounted to $6,500 and $4,070 for the years ended December 31, 2021 and 2020, respectively.

Income Taxes

The Company is a single member limited liability company and has followed the default tax classification as a disregarded entity under the provisions of the Internal Revenue Code. Accordingly, the Company does not pay income taxes and does not file income tax returns. Instead, its earnings and losses are included in the income tax return of the sole member. Therefore, the financial statements do not reflect a provision for income taxes.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASC No. 2016-02, Leases *(Topic 842),* aimed at making leasing activities more transparent and comparable. The new standard requires substantially all leases, including operating leases, be recognized by lessees on their balance sheet as a right-of-use asset and corresponding lease liability. ASU No. 2016-02 is effective for the Company on January 1, 2020, and early adoption is permitted. On November 15, 2019, the FASB issued ASU 2019-10, which changes effective date for new standard on lease (ASC 842), to January 1, 2021 from January 1, 2020. In June 2020, the FASB issued ASU 2020-05, which amends the effective date of the board’s standards on leasing (ASC 842) to defer the effective date of ASC 842 as a result of the widespread adverse economic effects and business disruptions caused by the coronavirus disease 2019(Covid-16) pandemic.: delay by one year the effective dates of its lease accounting standard for private companies for fiscal years beginning after December 15, 2021.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

The Company has reviewed its leases and in the process of assessing the impact of Topic 842. At the time of adoption, the Company will record a right of use asset and a corresponding lease liability.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments.* The amendments in this update address eight specific cash flow issues with the objective of reducing the existing diversity in practice. The new standard is effective for the Company on January 1, 2019.

NOTE B – NOTE RECEIVABLE

Promissory Note Agreement

On June 9, 2021 ("Effective Date"), Body & Brain Yoga and Health Centers, Inc., an Arizona corporation ("Borrower") promises to pay to the order of the Company (the "Lender"), the sum of $230,000 with interest thereon at 1.23% per year. Borrower shall make a monthly payment in the amount of $235.75 for interest. The unpaid principal shall be payable in full on or before June 9, 2022 (the "Due Date").

On September 21, 2021 ("Effective Date"), Body & Brain Yoga and Health Centers, Inc., an Arizona corporation ("Borrower") promises to pay to the order of the Company (the "Lender"), the sum of $150,000 with interest thereon at 1.04% per year. Borrower shall make a monthly payment in the amount of $130 for interest. The unpaid principal shall be payable in full on or before September 21, 2022 (the "Due Date").

NOTE C - RELATED PARTY TRANSACTIONS

Body & Brain Yoga and Health Centers, Inc.

Body & Brain Yoga and Health Centers, Inc. is the sole member of the Company and is engaged in the business of operating yoga, tai-chi and other mind-body practice.

Advertising Fund Fee Income

Body & Brain Yoga and Health Centers, Inc. orally agrees to pay the Company an advertising fee of 0.5% of program sales for Body & Brain Yoga and Health Centers, Inc. The advertising fund fee income amounts to $51,483, for the year ended December 31, 2021.

NOTE C - RELATED PARTY TRANSACTIONS (CONTINUED)

Software Service Agreement

On March 1, 2015 ("Effective Date"), the Company (Client) has a software service agreement with Body & Brain Yoga and Health Centers, Inc. (Provider). Provider is engaged in the business of providing yoga and wellness classes and programs, and is experienced in developing and maintaining online software specifically designed for the yoga and wellness industry. This agreement shall be commenced as of the Effective date and shall continue for a period of 1 year or until terminated by the mutual consent of the parties. Under the terms of this agreement, the Company shall pay to Provider $400 per month. Dues and subscription under the agreement amounted to $4,800 and $4,800 for the years ended December 31, 2021 and 2020, respectively.

Operating Lease Agreements

The Company has a premises use agreement with Body & Brain Yoga and Health Centers, Inc. The term of this agreement shall continue for a period of 1 month or until terminated as provided under this agreement. Under the terms of this agreement, the Company has the right to use the permitted portion of the premises, subject to the terms and provisions. Rent expense under the agreement amounted to $9,600 and $9,600 for the years ended December 31, 2021 and 2020, respectively.

Overall management services agreements

The Company pays its sole member for management services. Management services include advertising, providing supplies, management oversight, secretarial services, accounting support, training, website development and referral fees. Overall Management services expenses amounted to $0 and $29,395 for the years ended December 31, 2021 and 2020, respectively.

NOTE D - COMMITMENTS

Franchise Agreement

Franchise agreements provide for payment of initial fees, training fees, as well as continuing royalties and advertising fund fees to the Company based upon a percent of sales. Under this agreement, franchisees are granted a license to use certain trademarks, service marks, logos, trade dress and trade names, including the service marks "Body + Brain" and "Body & Brain Center" (collectively, the "Marks") in the operation of the franchisees.

BODY AND BRAIN CENTER, LLC
Notes to the Financial Statements
December 31, 2021 and 2020

NOTE D - COMMITMENTS (CONTINUED)

Franchise Agreement (Continued)

Revenues from franchised centers consisted of:

	2021	2020
Royalties	$ 211,186	$ 203,400
Initial franchise fees	5,800	5,800
Franchise renewal fees	6,737	3,748
Owner training fees	30,000	50,000
Advertising fund fees	10,404	9,984
Other fees	-	3,000
Revenues from franchised centers	$ 254,763	$ 275,932

Licensing Agreement

The Company (Licensee) has a licensing agreement with BR Consulting, Inc. (Licensor). This agreement automatically renews on an annual basis until terminated.

BR consulting, Inc. is the owner of all the intellectual property rights including, but not limited to, logos, trademarks, service marks, copyrights, and trade secrets which are related with Brain Education programs and/or operating Body & Brain Center. Licensor grants to Licensee, for the term of agreement, a non-exclusive license to use the licensed materials for distribution of Brain Education Programs and/or operation of Body & Brain Center within the authorized region and the right to sublicense the licensed materials to franchisees for the sole purpose of operating Body & Brain Centers pursuant to the terms of franchise agreements within the authorized region.

Under the terms of this agreement, the Company shall pay 20% on the total of the initial franchise fee, franchise renewal fee, training fee and transfer fee and 50% of royalties earned from franchisees by the Company. License expenses under this agreement totaled $114,101 and $114,209 for the years ended December 31, 2021 and 2020, respectively.

As of December 31, 2021, the Company owed $10,751 to BR Consulting Inc., which is included in accounts payable in the accompanying 2021 balance sheet.

BODY AND BRAIN CENTER, LLC
Notes to the Financial Statements
December 31, 2021 and 2020

NOTE E – FRANCHISING ACTIVITIES

The following table presents the franchisee activity that changed for the year ended December 31, 2021:

	Number of Centers (Retail Center)	Number of Centers (Home Based Center)
Franchised centers as of December 31, 2020	36	7
New franchised centers	-	1
Terminated franchised centers	(5)	(1)
Total centers as of December 31, 2021	31	7

NOTE F – CONCENTRATION OF RISK

Credit Risk

Financial instruments that are potentially subjected to the Company in concentration of credit risk consist of cash and cash equivalents. These are deposited and maintained by several financial institutions and at times are in excess of Federal Deposit Insurance Corporation limit of $ 250,000 per financial institution.

NOTE G – SUPPLEMENTAL DISCLOSURES OF CASH FLOW STATEMENT

During the years ended December 31, 2021 and 2020, there was no cash payment for interest.

NOTE H – SUBSEQUESNT EVENTS

Date of Management Evaluation

Management has evaluated subsequent events through February 15, 2022, the date on which the financial statements were available to be issued. There were no subsequent events that required recognition or disclosure.

Supplementary Information

BODY AND BRAIN CENTER, LLC
Schedule of Operating Expenses
Years Ended December 31, 2021 and 2020

	2021	2020
Operating Expense		
Advertising and promotional expense	$ 6,500	$ 4,070
Advertising service fee	6,000	3,000
Automobile Expense	45	-
Award expense	1,975	2,250
Bad debt expense	-	1,309
Bank service charges	3,624	5,630
Dues and subscription	5,820	5,881
Education expense	-	144
Employee Benefit	350	-
Employee leasing fee	54,600	54,600
Health insurance expense	10,825	10,030
Insurance expense	17,038	18,917
Management fee expense	-	29,395
Meals and entertainment	96	-
Office supplies	122	-
Payroll service fee	4,008	3,408
Payroll tax expense	7,167	5,537
Postage and delivery	48	-
Printing and Reproduction	576	-
Professional fee	16,836	12,510
Rent	10,417	10,350
Royalty expense	114,101	114,209
Tax and licenses expense	2,647	3,425
Telephone expense	143	143
Travel expense	150	-
Wages	49,849	72,313
Total Operating Expenses	$ 312,937	$ 357,121

See accompanying accountants' audited report and notes to financial statements.

BODY AND BRAIN CENTER, LLC

Financial Statements

Years Ended December 31, 2020 and 2019

with

Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Members
BODY AND BRAIN CENTER, LLC

Report on the Financial Statements

We have audited the accompanying financial statements of Body and Brain Center, LLC (an Arizona limited liability company and wholly owned subsidiary of Body & Brain Yoga and Health Centers, Inc.), which comprise the balance sheets as of December 31, 2020 and 2019, and the related statement of income, changes in member's equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Body and Brain Center, LLC as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

ABC CPAs

ABC CPAs
Los Angeles, CA

January 29, 2021

BODY AND BRAIN CENTER, LLC
Financial Statements
with
Independent Auditors' Report
Years Ended December 31, 2020 and 2019

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BODY AND BRAIN CENTER, LLC
Balance Sheet
December 31, 2020 and 2019

	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	$ 370,564	$ 397,810
Accounts receivable, Net	15,698	34,409
Interest receivable	97	485
Note receivable	380,000	380,000
Prepaid expenses	4,651	7,047
Total Current Assets	771,010	819,751
Restricited Cash	324,711	265,025
Total Assets	$ 1,095,721	1,084,776

Liabilities and Member's Equity		
Current Liabilities		
Accounts payable	$ 48,494	$ 18,447
Accrued liabilities	15,760	17,813
Deferred revenue	121,540	141,540
Other payable	6,135	7,620
Unearned revenue, current portion	9,901	7,967
Total Current Liabilities	201,830	193,387
Non Current Liabilities		
Unearned revenue	25,603	27,586
Total Non Current Liabilities	25,603	27,586
Total Liabilities	227,433	220,973
Member's Equity	868,288	863,803
Total Liabilities and Equity	$ 1,095,721	1,084,776

See accompanying accountants' audited report and notes to financial statements.

BODY AND BRAIN CENTER, LLC
Statement of Income and Changes in Member's Equity
Years Ended December 31, 2020 and 2019

	2020	2019
Revenue		
Royalties	$ 203,400	$ 365,735
Initial franchise fee	5,800	2,900
Franchise renewal fee	3,748	1,547
Owner training fee	50,000	30,000
Transfer fee	3,000	-
Advertising fund fee	60,969	103,563
Total Revenue	326,917	503,745
Operating Expenses	357,121	543,632
Operating Income	(30,204)	(39,887)
Other Income		
Interest income	6,789	12,958
Employee leasing income	16,284	29,833
Commission Income	11,616	-
Other income	-	125
Other Income	34,689	42,916
Net Income	4,485	3,029
Beginning Member's Equity	863,803	1,060,775
Distribution	-	(200,000)
Ending Member's Equity	$ 868,288	$ 863,803

See accompanying accountants' audited report and notes to financial statements.

BODY AND BRAIN CENTER, LLC
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Net Income	$ 4,485	$ 3,029
Adjustments to reconcile net income to net cash provided by operationg activities		
Changes in operating activities		
(Increase) decrease in		
Accounts receivable	18,711	8,482
Interest receivable	388	85
Prepaid expenses	2,396	(752)
Restricted cash	(59,686)	(72,179)
Increase (decrease) in		
Accounts payable	30,047	(11,647)
Accrued liabilities	(2,053)	(905)
Deferred revenue	(20,000)	20,000
Other payable	(1,485)	3,490
Unearned revenue	(48)	34,553
Net cash provided by (used in) operating activities	(27,245)	(15,845)
Cash Flows From Financing Activities		
Distribution	-	(200,000)
Net cash provided by (used in) investing activities	-	(200,000)
Increase (Decrease) in Cash	(27,245)	(215,845)
Cash and Cash Equivalents - Beginning of year	397,810	613,654
Cash and Cash Equivalents - End of year	$ 370,564	$ 397,810

See accompanying accountants' audited report and notes to financial statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Company is presented to assist in understanding the Company's financial statements. The financial statements and notes are the representations of the Company's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of Operation

Body and Brain Center, LLC (the "Company") is an Arizona limited liability Company that was organized on December 12, 2007. The Company is a wholly-owned subsidiary of Body & Brain Yoga and Health Centers, Inc. The Company is engaged in the business of franchising a chain of studios providing yoga classes, including dieting programs, exercise programs, relaxation programs, healing programs, life coaching and other mind-body practice programs, known as "Body & Brain" franchisees. Each franchisee independently operates a center using the Marks, the Unique System, the Body and Brain name, as well as the support, guidance and other methods and materials provided or developed by the Company.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates. Estimates are based on management's previous experience including expectations of future events under normal conditions. The aforementioned judgments, estimates and assumptions are periodically re-assessed in order to be in line with current available data and reflect current risks.

Cash and Cash Equivalents

Cash and cash equivalents comprise of cash in bank and on hand. The Company considers highly liquid investments with original maturities of three months or less to be cash and cash equivalents. Cash equivalents are stated at cost, which approximates fair value.

Restricted Cash

Restricted cash consists of amounts in a non-interest bearing checking account held by the Company only to be used for local, regional or national marketing, advertising, sales promotion. As of December 31, 2020, the Company has $324,711 of restricted cash which is classified as a non-current asset.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable are recorded at the amount the Company expects to collect on balances at year-end. The Company maintains an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, current circumstances, and relationship with customer and current payment patterns. As of December 31, 2020, the allowance for doubtful accounts was $6,195.

Accounts receivable is consisted of the following:

	December 31, 2020
Account Receivable	$ 21,893
Less: allowance for doubtful accounts	(6,195)
	$ 15,698

Deferred Revenue

Deferred revenue includes franchise fees that have been paid, but have not yet been earned. The Company will recognize these revenues when all material services or conditions relating to the franchise agreement have been substantially performed until the center is opened.

Deferred revenue also includes advance payments for owner training programs which have not yet taken place. The Company will recognize training revenue when the training is provided to the participants.

Deferred revenue amounted to $121,540 and $141,540 as of December 31, 2020 and 2019, respectively.

Revenue Recognition

Revenues from franchisees consist of initial franchise fees, owner training fees, royalties, and advertising fund fees based on a percentage of each franchisee's program sales. Historically, the initial franchise fees are recognized upon opening of a center, which is when the Company has performed substantially all initial services required by the franchise agreement. Under the amendments on the Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606) issued by the Financial Accounting Standard Board (FASB), the franchise right is a distinct performance obligation that transfers over time. Any portion of the initial fee that is allocated to the franchise right should be recognized over the contract term. Accordingly, the initial franchise fees and renewal fee income is recognized over the contract term. Owner training fee revenue is recognized upon the completion of a training program provided by the Company.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Royalties and advertising fund fees are recognized on a monthly basis and are based upon an agreed upon percentage of franchisees' program sales, as defined in the franchise agreement. Advertising fund fees are restricted for the purpose of marketing, sales promotion and promotional materials and are included in the accompanying balance sheets as restricted cash.

Advertising Costs

The Company expenses all advertising costs when incurred. Advertising expense amounted to $4,070 and $20,808 for the years ended December 31, 2020 and 2019, respectively.

Income Taxes

The Company is a single member limited liability company and has followed the default tax classification as a disregarded entity under the provisions of the Internal Revenue Code. Accordingly, the Company does not pay income taxes and does not file income tax returns. Instead, its earnings and losses are included in the income tax return of the sole member. Therefore, the financial statements do not reflect a provision for income taxes.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASC No. 2016-02, Leases *(Topic 842),* aimed at making leasing activities more transparent and comparable. The new standard requires substantially all leases, including operating leases, be recognized by lessees on their balance sheet as a right-of-use asset and corresponding lease liability. On November 15,2019, the FASB issued ASU 2019-10, which changes effective date for new standard on lease (ASC 842), to January 1, 2021 from January 1,2020.
The Company has reviewed its leases and in the process of assessing the impact of Topic 842. At the time of adoption, the Company will record a right of use asset and a corresponding lease liability.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments.* The amendments in this update address eight specific cash flow issues with the objective of reducing the existing diversity in practice. The new standard is effective for the Company on January 1, 2019.

BODY AND BRAIN CENTER, LLC
Notes to the Financial Statements
December 31, 2020 and 2019

NOTE B – NOTE RECEIVABLE

Promissory Note Agreement

On June 9, 2020 ("Effective Date"), Body & Brain Yoga and Health Centers, Inc., an Arizona corporation ("Borrower") promises to pay to the order of the Company (the "Lender"), the sum of $230,000 with interest thereon at 0.6% per year. Borrower shall make a monthly payment in the amount of $575 for interest. The unpaid principal shall be payable in full on or before June 9, 2021 (the "Due Date").

On September 21, 2020 ("Effective Date"), Body & Brain Yoga and Health Centers, Inc., an Arizona corporation ("Borrower") promises to pay to the order of the Company (the "Lender"), the sum of $150,000 with interest thereon at 0.44% per year. Borrower shall make a monthly payment in the amount of $275 for interest. The unpaid principal shall be payable in full on or before September 21, 2021 (the "Due Date").

NOTE C - RELATED PARTY TRANSACTIONS

Body & Brain Yoga and Health Centers, Inc.

Body & Brain Yoga and Health Centers, Inc. is the sole member of the Company and is engaged in the business of operating yoga, tai-chi and other mind-body practice.

Advertising Fund Fee Income

Body & Brain Yoga and Health Centers, Inc. orally agrees to pay the Company an advertising fee of 0.5% of program sales for Body & Brain Yoga and Health Centers, Inc. The advertising fund fee income amounts to $48,093, for the year ended December 31, 2020.

Software Service Agreement

On March 1, 2015 ("Effective Date"), the Company (Client) has a software service agreement with Body & Brain Yoga and Health Centers, Inc. (Provider). Provider is engaged in the business of providing yoga and wellness classes and programs, and is experienced in developing and maintaining online software specifically designed for the yoga and wellness industry. This agreement shall be commenced as of the Effective date and shall continue for a period of 1 year or until terminated by the mutual consent of the parties. Under the terms of this agreement, the Company shall pay to Provider $400 per month. Dues and subscription under the agreement amounted to $4,800 and $4,800 for the years ended December 31, 2020 and 2019, respectively.

BODY AND BRAIN CENTER, LLC
Notes to the Financial Statements
December 31, 2020 and 2019

NOTE C - RELATED PARTY TRANSACTIONS (CONTINUED)

Operating Lease Agreements

The Company has a premises use agreement with Body & Brain Yoga and Health Centers, Inc. The term of this agreement shall continue for a period of 1 month or until terminated as provided under this agreement. Under the terms of this agreement, the Company has the right to use the permitted portion of the premises, subject to the terms and provisions. Rent expense under the agreement amounted to $9,600 and $9,600 for the years ended December 31, 2020 and 2019, respectively.

Overall management services agreements

The Company pays its sole member for management services. Management services include advertising, providing supplies, management oversight, secretarial services, accounting support, training, website development and referral fees. Overall Management services expenses amounted to $29,395 for the year ended December 31, 2020.

NOTE D - COMMITMENTS

Franchise Agreement

Franchise agreements provide for payment of initial fees, training fees, as well as continuing royalties and advertising fund fees to the Company based upon a percent of sales. Under this agreement, franchisees are granted a license to use certain trademarks, service marks, logos, trade dress and trade names, including the service marks "Body + Brain" and "Body & Brain Center" (collectively, the "Marks") in the operation of the franchisees.

Revenues from franchised centers consisted of:

	2020	2019
Royalties	$ 203,400	$ 365,735
Initial franchise fees	5,800	2,900
Franchise renewal fees	3,748	1,547
Owner training fees	50,000	30,000
Advertising fund fees	9,984	18,085
Other fees	3,000	-
Revenues from franchised centers	$ 275,932	$ 418,267

See accompanying accountants' audited report and notes to financial statements

NOTE D - COMMITMENTS (CONTINUED)

Licensing Agreement

The Company (Licensee) has a licensing agreement with BR Consulting, Inc. (Licensor). This agreement automatically renews on an annual basis until terminated.

BR consulting, Inc. is the owner of all the intellectual property rights including, but not limited to, logos, trademarks, service marks, copyrights, and trade secrets which are related with Brain Education programs and/or operating Body & Brain Center. Licensor grants to Licensee, for the term of agreement, a non-exclusive license to use the licensed materials for distribution of Brain Education Programs and/or operation of Body & Brain Center within the authorized region and the right to sublicense the licensed materials to franchisees for the sole purpose of operating Body & Brain Centers pursuant to the terms of franchise agreements within the authorized region.

Under the terms of this agreement, the Company shall pay 20% on the total of the initial franchise fee, franchise renewal fee, training fee and transfer fee and 50% of royalties earned from franchisees by the Company. License expenses under this agreement totaled $114,209 and $189,758 for the years ended December 31, 2020 and 2019, respectively.

As of December 31, 2020, the Company owed $19,252 to BR Consulting Inc., which is included in accounts payable in the accompanying 2020 balance sheet.

NOTE E – FRANCHISING ACTIVITIES

The following table presents the franchisee activity that changed for the year ended December 31, 2020:

	Number of Centers (Retail Center)	Number of Centers (Home Based Center)
Franchised centers as of December 31, 2019	43	10
New franchised centers	-	-
Terminated franchised centers	(7)	(3)
Total centers as of December 31, 2020	36	7

NOTE F – CONCENTRATION OF RISK

Credit Risk

Financial instruments that are potentially subjected to the Company in concentration of credit risk consist of cash and cash equivalents. These are deposited and maintained by several financial institutions and at times are in excess of Federal Deposit Insurance Corporation limit of $ 250,000 per financial institution.

NOTE G – SUPPLEMENTAL DISCLOSURES OF CASH FLOW STATEMENT

During the years ended December 31, 2020 and 2019, there was no cash payment for interest.

NOTE H – SUBSEQUESNT EVENTS

Date of Management Evaluation

Management has evaluated subsequent events through January 29, 2021, the date on which the financial statements were available to be issued. There were no subsequent events that required recognition or disclosure.

Supplementary Information

BODY AND BRAIN CENTER, LLC
Schedule of Operating Expenses
Years Ended December 31, 2020 and 2019

	2020	2019
Operating Expense		
Advertising and promotional expense	$ 4,070	$ 20,808
Advertising service fee	3,000	12,000
Award expense	2,250	16,966
Bad debt expense	1,309	1,887
Bank service charges	5,630	7,401
Dues and subscription	5,881	5,688
Education expense	144	153
Employee leasing fee	54,600	61,600
Health insurance expense	10,030	12,324
Insurance expense	18,917	23,085
Management fee expense	29,395	32,630
Meals and entertainment	-	643
Office supplies	-	536
Payroll service fee	3,408	3,715
Payroll tax expense	5,537	8,932
Postage and delivery	-	42
Professional fee	12,510	12,150
Rent	10,350	10,348
Royalty expense	114,209	189,758
Tax and licenses expense	3,425	3,085
Telephone expense	143	143
Travel expense	-	1,120
Wages	72,313	118,339
Workshop expense	-	280
Total Operating Expenses	$ 357,122	$ 543,632

See accompanying accountants' audited report and notes to financial statements.

BODY AND BRAIN CENTER, LLC

Financial Statements

For the Year Ended December 31, 2023 and 2022

with

Independent Auditors' Report

ABC CPAs

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BODY AND BRAIN CENTER, LLC
Financial Statements
with
Independent Auditors' Report
Years Ended December 31, 2023 and 2022

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INDEPENDENT AUDITORS' REPORT

To the Members
BODY AND BRAIN CENTER, LLC

Opinion

We have audited the financial statements of Body and Brain Center, LLC (the "Company") (an Arizona limited liability company and wholly owned subsidiary of Body & Brain Yoga and Health Centers, Inc.), which comprise the balance sheet as of December 31, 2023 and 2022, and the related statement of income and changes in member's equity, and cash flows for the year then ended, and the related notes to the financial statements. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Body and Brain Center, LLC as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounts principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events considered in the aggregate that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exist. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

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In performing an audit in accordance with GAAS we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

ABC CPAs
Los Angeles, CA

February 6, 2024

BODY AND BRAIN CENTER, LLC
Balance Sheet
As of December 31, 2023 and 2022

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	$ 119,107	$ 257,831
Accounts receivable, Net	19,300	19,249
Interest receivable	840	594
Other receivable	-	200
Note receivable	380,000	380,000
Prepaid expenses	13,120	5,031
Total Current Assets	532,367	662,906
Non Current Assets		
Goodwill	12,885	12,885
Website	43,350	-
Security deposits	3,325	3,325
Total Non Current Assets	59,560	16,210
Restricted cash	494,838	435,995
Operating lease right-of-use assets	50,965	83,216
Total Assets	$ 1,137,730	$ 1,198,327
Liabilities and Member's Equity		
Current Liabilities		
Accounts payable	$ 90,634	$ 80,806
Accrued liabilities	18,680	19,144
Deferred revenue	19,540	70,540
Other payable	38	2,420
Operating lease liabilities, current portion	43,394	41,649
Unearned revenue, current portion	26,628	17,978
Total Current Liabilities	198,914	232,536
Non Current Liabilities		
Operating lease liabilities, net of current portion	8,633	42,427
Unearned revenue	14,380	14,457
Total Non Current Liabilities	23,013	56,884
Total Liabilities	221,927	289,420
Member's Equity	915,803	908,907
Total Liabilities and Equity	$ 1,137,730	$ 1,198,327

See accompanying accountants' audited report and notes to financial statements.

BODY AND BRAIN CENTER, LLC
Statement of Income and Changes in Member's Equity
Years Ended December 31, 2023 and 2022

	2023	2022
Revenue		
Royalties	$ 200,578	$ 204,235
Initial franchise fee	7,800	7,800
Transfer Fee	3,000	-
Franchise renewal fee	6,061	6,201
Advertising fund fee	70,651	68,375
Membership income	44,612	20,264
Private lesson	32,100	168,075
Registration fee	2,619	1,779
Commission Income	8,058	19,297
Total Revenue	375,479	496,025
Operating Expenses	463,738	520,908
Operating Income	(88,259)	(24,882)
Other Income		
Interest income	24,309	8,526
Employee leasing income	13,180	19,928
Other income	57,666	3,542
Other Income	95,155	31,996
Net Income	6,896	7,114
Beginning Member's Equity	908,907	901,793
Ending Member's Equity	$ 915,803	$ 908,907

See accompanying accountants' audited report and notes to financial statements.

BODY AND BRAIN CENTER, LLC
Statement of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Net Income	$ 6,896	$ 7,114
Adjustments to reconcile net income to net cash provided by operationg activities		
Operating lease right-of-use assets	32,250	(83,216)
Operating lease liabilities	(32,049)	84,076
Changes in operating assets and liabilities :		
(Increase) decrease in		
Accounts receivable	(51)	(2,676)
Interest receivable	(246)	(390)
Others receivable	200	28,503
Prepaid expenses	(8,089)	(604)
Increase (decrease) in		
Accounts payable	9,829	2,302
Accrued liabilities	(464)	(14)
Deferred revenue	(51,000)	-
Other payable	(2,382)	(3,525)
Unearned revenue	8,573	4,467
Net cash provided by (used in) operating activities	(36,531)	36,037
Cash Flows from Investing Activities		
Goodwill	-	(12,885)
Security Deposits	-	(3,326)
Website	(43,350)	-
Net cash provided by (used in) investing activities	(43,350)	(16,211)
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	(79,881)	19,826
Cash, Cash Equivalents and Restricted Cash - Beginning of year	693,826	674,000
Cash, Cash Equivalents and Restricted Cash - End of year	$ 613,945	$ 693,826

See accompanying accountants' audited report and notes to financial statements.

BODY AND BRAIN CENTER, LLC
Notes to the Financial Statements
December 31, 2023 and 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Body and Brain Center, LLC (the "Company") is presented to assist in understanding the Company's financial statements. The financial statements and notes are the representations of the Company's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of Operation

Body and Brain Center, LLC is an Arizona limited liability Company that was organized on December 12, 2007. The Company is a wholly-owned subsidiary of Body & Brain Yoga and Health Centers, Inc. The Company is engaged in the business of franchising a chain of studios providing yoga classes, including dieting programs, exercise programs, relaxation programs, healing programs, life coaching and other mind-body practice programs, known as "Body & Brain" franchisees. Each franchisee independently operates a center using the Marks, the Unique System, the Body and Brain name, as well as the support, guidance and other methods and materials provided or developed by the Company.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates. Estimates are based on management's previous experience including expectations of future events under normal conditions. The aforementioned judgments, estimates and assumptions are periodically re-assessed in order to be in line with current available data and reflect current risks.

Goodwill

Goodwill represents the excess of the amount paid by the Company over the book value of the assets purchased for a direct center. Goodwill is not amortized but tested at least annually for impairment. To determine whether goodwill is impaired, annually or more frequently if needed, the Company performs a multi-step impairment test. The Company may first assess qualitative factors to determine if it is more likely than not that the carrying value of a reporting unit exceeds its estimated fair value.

The Company may also elect to skip the qualitative testing and proceed directly to the quantitative testing. When performing quantitative testing, the Company first estimates the fair values of its reporting units using discounted cash flows. To determine fair values, The Company must make assumptions about a wide variety of internal and external factors. Significant assumptions used in the impairment analysis included financial projections of free

BODY AND BRAIN CENTER, LLC
Notes to the Financial Statements
December 31, 2023 and 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill (Continued)

cash flow (including significant assumptions about operations, capital requirements and income taxes), long-term growth rates for determining terminal value and discount rates. Comparative market multiples are used to corroborate the results of the discounted cash flow test. If the fair value is less than the carrying value of the reporting unit, then the implied value of goodwill would be calculated and compared to the carrying amount of goodwill to determine whether goodwill is impaired.

Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fine, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. The Company discloses contingent liabilities in the note to the financial statements when the conditions for liability recognition are not met or when a loss form the outcome of future events is more than remote.

Cash and Cash Equivalents

Cash and cash equivalents include cash at banks and on hand, as well as short term (up to 3 months) investments of high liquidation and low risk.

Restricted Cash

Restricted cash consists of amounts in a non-interest bearing checking account held by the Company only to be used for local, regional or national marketing, advertising, sales promotion. As of December 31, 2023, the Company has $494,838 of restricted cash which is classified as a non-current asset.

Accounts Receivable

Accounts receivable are recorded at the amount the Company expects to collect on balances at year-end. The Company maintains an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, current circumstances, and relationship with customer and current payment patterns. As of December 31, 2023, the allowance for doubtful accounts was $5,691.

Accounts receivable is consisted of the following:

	December 31, 2023
Account Receivable	$ 24,991
Less: allowance for doubtful accounts	(5,691)
	$ 19,300

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Lease

The Company adopted ASC Topic 842, *Leases* ("ASC 842") on January 1, 2022 using the modified retrospective transition method. ASC 842 provides a number of optional practical expedients in transition. The Company elected the package of practical expedients permitted under the transition guidance, which allows the Company to carry forward the historical lease classification, the assessment whether a contract is or contains a lease and initial direct costs for any leases that exist prior to adoption of the new standard. The Company has also elected the practical expedient to not separate the non-lease components from lease components. In addition, the Company elected the short-term lease recognition exemption for all leases that have a lease term of 12 months or less; instead, for short-term leases, lease expense is recognized on a straight-line basis over the lease term.

The Company determines if a contract contains a lease at inception of the arrangement based on whether it has the right to obtain substantially all the economic benefits from the use of an identified asset and whether it has the right to direct the use of an identified asset in exchange for consideration. Right-of-use ("ROU") assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets are recognized at the same amount as the lease liability, adjusted for lease incentives received, any existing prepaid or accrued rent, or unamortized initial direct costs. Lease liabilities are recognized at the present value of the future lease payments at the lease commencement date. The future lease payments included in the lease liability may include options to extend the term of a lease, if the Company determines that it is reasonably certain that the option to extend will be exercised at the terms available in the lease agreement.

The interest rate used to determine the present value of the future lease payments is the Company's risk-free rate at the lease commencement date for the duration of the remaining lease term, unless the interest rate is implicit in the contract. Lease payments may be fixed or variable; however, only fixed payments are included in the Company's lease liability calculation and the variable non-lease components such as maintenance, utilities, or real estate taxes are recognized as operating expenses in the period in which they are incurred.

The Company's leases primarily include real estate leases.

Operating leases are included in operating lease ROU assets, current operating lease liabilities, and non-current operating lease liabilities within the Company's balance sheets. Lease expense is recognized on a straight-line basis on the financial statements over the lease term.

The Company does not have any finance leases under ASC 842.

Deferred Revenue

Deferred revenue includes franchise fees that have been paid, but have not yet been earned. The Company will recognize these revenues when all material services or conditions relating to the franchise agreement have been substantially performed until the center is opened.

BODY AND BRAIN CENTER, LLC
Notes to the Financial Statements
December 31, 2023 and 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue (Continued)

Deferred revenue also includes advance payments for owner training programs which have not yet taken place. The Company will recognize training revenue when the training is provided to the participants.

Deferred revenue amounted to $19,540 and $70,540 as of December 31, 2023 and 2022, respectively.

Recognition of Deferred Revenue for the Tax Year 2022

The Company recognized $51,000 of deferred revenue from the tax year 2022 as other income, in compliance with the Company's police. In accordance with the contractual terms outlined by the Company, prepayments received subsequent to franchise agreements necessitate recognition as income if no operational activities commence within specified years thereafter.

Consequently, the recognition of $51,000 was deferred and subsequently acknowledged as other income during the fiscal year 2023. This recognition is consistent with the accounting policies adopted by the Company and adheres to the contractual conditions as stipulated in the Company's agreements.

Revenue Recognition

The Company’s revenue comprises of sales from direct center as well as receipts from franchisees.

1) Revenues from franchisees

Revenues from franchisees consist of initial franchise fees, owner training fees, royalties, and advertising fund fees based on a percentage of each franchisee’s program sales. Historically, the initial franchise fees are recognized upon opening of a center, which is when the Company has performed substantially all initial services required by the franchise agreement. Under the amendments on the Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606) issued by the Financial Accounting Standard Board (FASB), the franchise right is a distinct performance obligation that transfers over time. Any portion of the initial fee that is allocated to the franchise right should be recognized over the contract term. Accordingly, the initial franchise fees and renewal fee income is recognized over the contract term. Owner training fee revenue is recognized upon the completion of a training program provided by the Company.

Royalties and advertising fund fees are recognized on a monthly basis and are based upon an agreed upon percentage of franchisees' program sales, as defined in the franchise agreement. Advertising fund fees are restricted for the purpose of marketing, sales promotion and promotional materials and are included in the accompanying balance sheets as restricted cash.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2) Revenues from direct center

Revenues from direct center consist of membership income, private lessons and registration fees. Direct center sales are recognized when services are completed.

Advertising Costs

The Company expenses all advertising costs when incurred. Advertising expense amounted to $20,430 and $16,595 for the years ended December 31, 2023 and 2022, respectively.

Income Taxes

The Company is a single member limited liability company and has followed the default tax classification as a disregarded entity under the provisions of the Internal Revenue Code. Accordingly, the Company does not pay income taxes and does not file income tax returns. Instead, its earnings and losses are included in the income tax return of the sole member. Therefore, the financial statements do not reflect a provision for income taxes.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13").* Among other things, these amendments require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. ASU 2016-13 is effective for the Company beginning January 1, 2023. The Company is currently evaluating the effect of this ASU on the Company's financial statements and related disclosures.

In March 2021, the FASB issued ASU 2021-03, *Intangibles—Goodwill and Other (Topic 350): Accounting Alternative for Evaluating Triggering Events*. The amendments in this update provide private companies and not-for-profit entities with an accounting alternative to perform the goodwill impairment triggering event evaluation as required in Subtopic 350-20 as of the end of the reporting period, whether the reporting period is an interim or annual period. An entity that elects this alternative is not required to monitor for goodwill impairment triggering events during the reporting period but, instead, should evaluate the facts and circumstances as of the end of each reporting period to determine whether a triggering event exists and, if so, whether it is more likely than not that goodwill is impaired. An entity that does not elect the accounting alternative for amortizing goodwill and that performs its annual impairment test as of a date other than the annual reporting date should perform a triggering event evaluation only as of the end of the reporting period. The Company adopted this alternative to evaluating goodwill effective January 1, 2022.

BODY AND BRAIN CENTER, LLC
Notes to the Financial Statements
December 31, 2023 and 2022

NOTE B – NOTE RECEIVABLE

Promissory Note Agreement

On June 9, 2023 ("Effective Date"), Body & Brain Yoga and Health Centers, Inc., an Arizona corporation ("Borrower") promises to pay to the order of the Company (the "Lender"), the sum of $230,000 with interest thereon at 4.88% per year. Borrower shall make a monthly payment in the amount of $935.33 for interest. The unpaid principal shall be payable in full on or before June 9, 2024 (the "Due Date").

On September 21, 2023 ("Effective Date"), Body & Brain Yoga and Health Centers, Inc., an Arizona corporation ("Borrower") promises to pay to the order of the Company (the "Lender"), the sum of $150,000 with interest thereon at 4.93% per year. Borrower shall make a monthly payment in the amount of $616.25 for interest. The unpaid principal shall be payable in full on or before September 21, 2024 (the "Due Date).

NOTE C - RELATED PARTY TRANSACTIONS

Body & Brain Yoga and Health Centers, Inc.

Body & Brain Yoga and Health Centers, Inc. is the sole member of the Company and is engaged in the business of operating yoga, tai-chi and other mind-body practice.

Advertising Fund Fee Income

Body & Brain Yoga and Health Centers, Inc. orally agrees to pay the Company an advertising fee of 0.5% of program sales for Body & Brain Yoga and Health Centers, Inc. The advertising fund fee income amounts to $57,105, for the year ended December 31, 2023.

Software Service Agreement

On March 1, 2015, the Company entered into a software service agreement with Body & Brain Yoga and Health Centers, Inc. (Provider). Provider is engaged in the business of providing yoga and wellness classes and programs, and is experienced in developing and maintaining online software specifically designed for the yoga and wellness industry. This agreement was for a term of one year and continues until terminated by the mutual consent of the parties. Under the terms of this agreement, the Company pays to Provider $400 per month. Dues and subscription under the agreement amounted to $4,800 and $4,800 for the years ended December 31, 2023 and 2022, respectively.

Operating Lease Agreements

The Company has a premises use agreement with Body & Brain Yoga and Health Centers, Inc. The term of this agreement shall be month-to-month or until terminated as provided under this agreement. Under the terms of this agreement, the Company has the right to use the permitted portion of the premises, subject to the terms and provisions. Rent expense under the agreement amounted to $9,600 and $9,600 for the years ended December 31, 2023 and 2022, respectively.

NOTE C - RELATED PARTY TRANSACTIONS (CONTINUED)

Management Services Agreements

The Company pays its sole member for management services. Management services include advertising, providing supplies, management oversight, secretarial services, accounting support, training, website development and referral fees. Management services expenses amounted to $18,000 and $22,000 for the years ended December 31, 2023 and 2022, respectively.

Employee Lease Agreements

The Company has an employee lease agreement with Body & Brain Yoga and Health Centers, Inc. (BBYHC). Under the terms of the agreement, the Company shall lease from BBYHC, certain employees of BBYHC to perform services on a part-time basis as Regional Coordinators, Assistant Regional Coordinators or Support Staff on behalf and under the supervision, of the Company in addition to the services that such employees perform for BBYHC. Employee leasing expense under the agreement amounted to $51,600 and $52,650 for the years ended December 31, 2023 and 2022, respectively.

NOTE D – COMMITMENTS AND CONTINGENCIES

Franchise Agreement

Franchise agreements provide for payment of initial fees, training fees, as well as continuing royalties and advertising fund fees to the Company based upon a percent of sales. Under this agreement, franchisees are granted a license to use certain trademarks, service marks, logos, trade dress and trade names, including the service marks "Body + Brain" and "Body & Brain Center" (collectively, the "Marks") in the operation of the franchisees.

Revenues from franchised centers consisted of:

	2023	2022
Royalties	$ 200,578	$ 204,235
Initial franchise fees	7,800	7,800
Transfer Fee	3,000	-
Franchise renewal fees	6,061	6,201
Advertising fund fees	9,909	10,072
Revenues from franchised centers	$ 227,348	$ 228,308

NOTE D - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Licensing Agreement

The Company (Licensee) has a licensing agreement with BR Consulting, Inc. (Licensor). This agreement automatically renews on an annual basis until terminated.

BR consulting, Inc. is the owner of all the intellectual property rights including, but not limited to, logos, trademarks, service marks, copyrights, and trade secrets which are related with Brain Education programs and/or operating Body & Brain Center.

Licensor grants to Licensee, for the term of agreement, a non-exclusive license to use the licensed materials for distribution of Brain Education Programs and/or operation of Body & Brain Center within the authorized region and the right to sublicense the licensed materials to franchisees for the sole purpose of operating Body & Brain Centers pursuant to the terms of franchise agreements within the authorized region.

Under the terms of this agreement, the Company pays 20% on the total of the initial franchise fee, franchise renewal fee, training fee and transfer fee and 50% of royalties earned from franchisees by the Company. Furthermore, concerning the income derived from memberships and private lessons offered by the Direct Center, a contractual royalty rate has been in effect since 2022. In 2023, a royalty rate of 3%, computed based on the operating margin rate preceding the inclusion of Direct Center's royalty payments, was applied, resulting in a payment of $2,301.

License expenses under this agreement totaled $105,963 and $142,586 for the years ended December 31, 2023 and 2022, respectively.

As of December 31, 2023, the Company overpaid $7,487 to BR Consulting Inc., which is included in prepaid expense in the accompanying 2023 balance sheet.

Leased Facilities

The Company leases its operating facility under non-cancellable operating lease. The Company also has the right to use the permitted portion of the premises of Body & Brain Yoga and Health Centers, Inc. (BBYHC), subject to the terms and provisions under a premises use agreement.

The following is a schedule by year of minimum future yearly rental payments related to the operating facility lease as of December 31, 2023:

BODY AND BRAIN CENTER, LLC
Notes to the Financial Statements
December 31, 2023 and 2022

NOTE D - COMMITMENTS (CONTINUED)

Leased Facilities (Continued)

Year ending December 31,		
2024	$	34,412
2025		8,666
Total lease payments		43,078
Less: Effects of discounting		650
Present value of lease liabilities	$	42,428

Rent and lease expense totaled $53,017 for the year ended December 31, 2023.

Amounts recognized as right-of-use assets and operating lease liabilities related to leases for operating facility and the premises of BBYHC are included in the accompanying balance sheet. As of December 31, 2022 right-of-use assets and operating lease liabilities related to leases were as follows:

		December 31, 2023
Operating lease ROU assets	$	50,965
Operating lease liabilities:		
Current portion of lease liabilities		43,394
Non-current portion of lease liabilities		8,633

The Company use an incremental borrowing rate as the discount rate based on the information available at commencement date in determining the present value of lease payments.

Lease Term, Discount Rate and Other Information	**December 31, 2023**
Remaining lease term (years)	1.25
Weighted average discount rate	2.30%

BODY AND BRAIN CENTER, LLC
Notes to the Financial Statements
December 31, 2023 and 2022

NOTE E – FRANCHISING ACTIVITIES

The following table presents the franchisee activity that changed for the year ended December 31, 2023:

	Number of Centers (Retail Center)	Number of Centers (Home Based Center)
Franchised centers as of December 31, 2022	29	7
New franchised centers	-	-
Terminated franchised centers	(2)	-
Total centers as of December 31, 2023	27	7

NOTE F – GOODWILL

March 1, 2022, the Company purchased all of a business known as a yoga, tai-chi or meditation center's rights, title and interest for cash consideration of $15,000. Goodwill was recorded to reflect the excess of amount paid over the book value of the assets purchased.

Net assets	March 1, 2022
Goodwill	$ 12,885
Security Deposit	2,115
Total	$ 15,000

With its annual impairment testing as of December 31, 2023, there was no specific impairment charge in relation to goodwill recorded in the Income Statement.

As of December 31, 2023, the carrying amount of goodwill was $12,885.

NOTE G – CONCENTRATION OF RISK

Credit Risk

Financial instruments that are potentially subjected to the Company in concentration of credit risk consist of cash and cash equivalents. These are deposited and maintained by several financial institutions and at times are in excess of Federal Deposit Insurance Corporation limit of $250,000 per financial institution.

BODY AND BRAIN CENTER, LLC
Notes to the Financial Statements
December 31, 2023 and 2022

NOTE H – SUPPLEMENTAL DISCLOSURES OF CASH FLOW STATEMENT

During the years ended December 31, 2023 and 2022, there was no cash payment for interest

NOTE I – SUBSEQUENT EVENTS

Date of Management Evaluation

Management has evaluated subsequent events through February 6, 2024, the date on which the financial statements were available to be issued. There were no subsequent events that required recognition or disclosure.

Supplementary Information

BODY AND BRAIN CENTER, LLC
Schedule of Operating Expenses
Years Ended December 31, 2023 and 2022

	2023	2022
Operating Expense		
Advertising and promotional expense	$ 20,430	$ 16,595
Automobile expense	361	500
Award expense	1,950	2,650
Bad debt expense	-	136
Bank service charges	7,429	9,176
Business promotion	475	575
Dues and subscription	7,847	7,207
Employee benefit	413	825
Employee leasing fee	51,600	52,650
Event expense	910	-
Health insurance expense	14,006	20,167
Insurance expense	21,030	18,644
Management fee expense	18,000	22,000
Meals and entertainment	63	453
Miscellaneous expense	-	3,567
Office supplies	1,457	1,086
Payroll service fee	3,709	3,848
Payroll tax expense	9,493	10,587
Postage and delivery	46	365
Printing and reproduction	155	-
Professional fee	12,255	12,350
Rent	53,017	45,369
Repair and maintenance	9	277
Royalty expense	105,963	142,586
Tax and licenses expense	2,930	3,113
Telephone expense	2,584	1,742
Travel expense	-	31
Utilities	1,110	1,057
Wages	125,792	143,171
Workshop expense	704	179
Total Operating Expenses	463,738	$ 520,908

See accompanying accountants' audited report and notes to financial statements.

BODY AND BRAIN CENTER, LLC

Financial Statements

Years Ended December 31, 2022 and 2021

with

Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Members
BODY AND BRAIN CENTER, LLC

Opinion

We have audited the financial statements of Body and Brain Center, LLC (an Arizona limited liability company and wholly owned subsidiary of Body & Brain Yoga and Health Centers, Inc.), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statement of income, changes in member's equity, and cash flows for the years then ended, and the related notes to the financial statements. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Body and Brain Center, LLC as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounts principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Body and Brain Center, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is required to evaluate whether there are conditions or events considered in the aggregate that raise substantial doubt that Body and Brain Center, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exist. The risk of not detecting material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

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In performing an audit in accordance with GAAS we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Body and Brain Center, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Body and Brain Center LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

ABC CPAs
Los Angeles, CA

February 7, 2023

BODY AND BRAIN CENTER, LLC
Financial Statements
with
Independent Auditors' Report
Years Ended December 31, 2022 and 2021

Table of Contents

BODY AND BRAIN CENTER, LLC
Balance Sheet
December 31, 2022 and 2021

	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	$ 257,831	$ 292,639
Accounts receivable, Net	19,249	16,574
Interest receivable	594	204
Other receivable	200	-
Tax receivable - Employee Retention Credit	-	28,703
Note receivable	380,000	380,000
Prepaid expenses	5,031	4,427
Total Current Assets	662,906	722,547
Other Assets		
Goodwill	12,885	-
Security Deposits	3,325	-
Total Other Assets	16,210	-
Restricited Cash	435,995	381,361
Right-of-Use Assets	83,216	-
Total Assets	$ 1,198,327	$ 1,103,908
Liabilities and Member's Equity		
Current Liabilities		
Accounts payable	$ 80,806	$ 78,504
Accrued liabilities	19,144	19,158
Deferred revenue	70,540	70,540
Other payable	2,420	5,945
Lease Liabilities, current portion	41,649	-
Unearned revenue, current portion	17,978	10,304
Total Current Liabilities	232,536	184,451
Non Current Liabilities		
Lease Liabilities	42,427	-
Unearned revenue	14,457	17,664
Total Non Current Liabilities	56,884	17,664
Total Liabilities	289,420	202,115
Member's Equity	908,907	901,793
Total Liabilities and Equity	$ 1,198,327	$ 1,103,908

See accompanying accountants' audited report and notes to financial statements.

BODY AND BRAIN CENTER, LLC
Statement of Income and Changes in Member's Equity
Years Ended December 31, 2022 and 2021

	2022	2021
Revenue		
Royalties	$ 204,235	$ 211,186
Initial franchise fee	7,800	5,800
Franchise renewal fee	6,201	6,737
Owner training fee	-	30,000
Advertising fund fee	68,375	65,059
Membership income	20,264	-
Private lesson	168,075	-
Registration fee	1,779	-
Commission Income	19,297	-
Total Revenue	496,025	318,782
Operating Expenses	520,908	312,938
Operating Income	(24,882)	5,844
Other Income		
Interest income	8,526	3,203
Employee leasing income	19,928	24,240
Other income	3,542	218
Other Income	31,996	27,661
Net Income	7,114	33,505
Beginning Member's Equity	901,793	868,288
Ending Member's Equity	$ 908,907	$ 901,793

See accompanying accountants' audited report and notes to financial statements.

BODY AND BRAIN CENTER, LLC
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Net Income	$ 7,114	$ 33,505
Adjustments to reconcile net income to net cash provided by operationg activities		
Right-of-Use assets	(83,216)	-
Lease liabilities	84,076	-
Changes in operating activities		
(Increase) decrease in		
Accounts receivable	(2,676)	(876)
Interest receivable	(390)	(107)
Others receivable	(200)	-
Tax receivable - Employee Retention Credit	28,703	(28,703)
Prepaid expenses	(604)	224
Security Deposits	(3,325)	-
Increase (decrease) in		
Accounts payable	2,302	30,010
Accrued liabilities	(14)	3,398
Deferred revenue	-	(51,000)
Other payable	(3,525)	(190)
Unearned revenue	4,467	(7,537)
Net cash provided by (used in) operating activities	32,712	(21,276)
Cash Flows from Investing Activities		
Goodwill	(12,885)	-
Net cash provided by (used in) investing activities	(12,885)	-
Increase (Decrease) in Cash	19,827	(21,276)
Cash, Cash Equivalents and Restricted Cash - Beginning of year	674,000	695,276
Cash, Cash Equivalents and Restricted Cash - End of year	$ 693,827	$ 674,000

See accompanying accountants' audited report and notes to financial statements.

BODY AND BRAIN CENTER, LLC
Notes to the Financial Statements
December 31, 2022 and 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Company is presented to assist in understanding the Company's financial statements. The financial statements and notes are the representations of the Company's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of Operation

Body and Brain Center, LLC (the "Company") is an Arizona limited liability Company that was organized on December 12, 2007. The Company is a wholly-owned subsidiary of Body & Brain Yoga and Health Centers, Inc. The Company is engaged in the business of franchising a chain of studios providing yoga classes, including dieting programs, exercise programs, relaxation programs, healing programs, life coaching and other mind-body practice programs, known as "Body & Brain" franchisees. Each franchisee independently operates a center using the Marks, the Unique System, the Body and Brain name, as well as the support, guidance and other methods and materials provided or developed by the Company.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates. Estimates are based on management's previous experience including expectations of future events under normal conditions. The aforementioned judgments, estimates and assumptions are periodically re-assessed in order to be in line with current available data and reflect current risks.

Goodwill

Goodwill represents the excess of the amount paid by the Company over the book value of the assets purchased for a direct center. Goodwill is not amortized but tested at least annually for impairment. To determine whether goodwill is impaired, annually or more frequently if needed, the Company performs a multi-step impairment test. The Company may first assess qualitative factors to determine if it is more likely than not that the carrying value of a reporting unit exceeds its estimated fair value.

The Company may also elect to skip the qualitative testing and proceed directly to the quantitative testing. When performing quantitative testing, the Company first estimates the fair values of its reporting units using discounted cash flows. To determine fair values, The Company must make assumptions about a wide variety of internal and external factors. Significant assumptions used in the impairment analysis included financial projections of free

BODY AND BRAIN CENTER, LLC
Notes to the Financial Statements
December 31, 2022 and 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill (Continued)

cash flow (including significant assumptions about operations, capital requirements and income taxes), long-term growth rates for determining terminal value and discount rates. Comparative market multiples are used to corroborate the results of the discounted cash flow test. If the fair value is less than the carrying value of the reporting unit, then the implied value of goodwill would be calculated and compared to the carrying amount of goodwill to determine whether goodwill is impaired.

Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fine, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. The Company discloses contingent liabilities in the note to the financial statements when the conditions for liability recognition are not met or when a loss form the outcome of future events is more than remote.

Cash and Cash Equivalents

Cash and cash equivalents comprise of cash in bank and on hand. The Company considers highly liquid investments with original maturities of three months or less to be cash and cash equivalents. Cash equivalents are stated at cost, which approximates fair value.

Restricted Cash

Restricted cash consists of amounts in a non-interest bearing checking account held by the Company only to be used for local, regional or national marketing, advertising, sales promotion. As of December 31, 2022, the Company has $435,995 of restricted cash which is classified as a non-current asset.

Accounts Receivable

Accounts receivable are recorded at the amount the Company expects to collect on balances at year-end. The Company maintains an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, current circumstances, and relationship with customer and current payment patterns. As of December 31, 2022, the allowance for doubtful accounts was $6,179.

Accounts receivable is consisted of the following:

	December 31, 2022
Account Receivable	$ 25,428
Less: allowance for doubtful accounts	(6,179)
	$ 19,249

BODY AND BRAIN CENTER, LLC
Notes to the Financial Statements
December 31, 2022 and 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue

Deferred revenue includes franchise fees that have been paid, but have not yet been earned. The Company will recognize these revenues when all material services or conditions relating to the franchise agreement have been substantially performed until the center is opened.

Deferred revenue also includes advance payments for owner training programs which have not yet taken place. The Company will recognize training revenue when the training is provided to the participants.

Deferred revenue amounted to $70,540 and $70,540 as of December 31, 2022 and 2021, respectively.

Revenue Recognition

The Company's revenue comprises of sales from direct center as well as receipts from franchisees.

1) Revenues from franchisees

Revenues from franchisees consist of initial franchise fees, owner training fees, royalties, and advertising fund fees based on a percentage of each franchisee's program sales. Historically, the initial franchise fees are recognized upon opening of a center, which is when the Company has performed substantially all initial services required by the franchise agreement. Under the amendments on the Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606) issued by the Financial Accounting Standard Board (FASB), the franchise right is a distinct performance obligation that transfers over time. Any portion of the initial fee that is allocated to the franchise right should be recognized over the contract term. Accordingly, the initial franchise fees and renewal fee income is recognized over the contract term. Owner training fee revenue is recognized upon the completion of a training program provided by the Company.

Royalties and advertising fund fees are recognized on a monthly basis and are based upon an agreed upon percentage of franchisees' program sales, as defined in the franchise agreement. Advertising fund fees are restricted for the purpose of marketing, sales promotion and promotional materials and are included in the accompanying balance sheets as restricted cash.

2) Revenues from direct center

Revenues from direct center consist of membership income, private lessons and registration fees. Direct center sales are recognized when services are completed.

BODY AND BRAIN CENTER, LLC
Notes to the Financial Statements
December 31, 2022 and 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising Costs

The Company expenses all advertising costs when incurred. Advertising expense amounted to $16,595 and $6,500 for the years ended December 31, 2022 and 2021, respectively.

Income Taxes

The Company is a single member limited liability company and has followed the default tax classification as a disregarded entity under the provisions of the Internal Revenue Code. Accordingly, the Company does not pay income taxes and does not file income tax returns. Instead, its earnings and losses are included in the income tax return of the sole member. Therefore, the financial statements do not reflect a provision for income taxes.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASC No. 2016-02, Leases *(Topic 842),* aimed at making leasing activities more transparent and comparable. The new standard requires substantially all leases, including operating leases, be recognized by lessees on their balance sheet as a right-of-use asset and corresponding lease liability. ASU No. 2016-02 is effective for the Company on January 1, 2020, and early adoption is permitted. On November 15, 2019, the FASB issued ASU 2019-10, which changes effective date for new standard on lease (ASC 842), to January 1, 2021 from January 1, 2020. In June 2020, the FASB issued ASU 2020-05, which amends the effective date of the board's standards on leasing (ASC 842) to defer the effective date of ASC 842 as a result of the widespread adverse economic effects and business disruptions caused by the coronavirus disease 2019(Covid-16) pandemic.: delay by one year the effective dates of its lease accounting standard for private companies for fiscal years beginning after December 15, 2021. The new standard is effective for the Company on January 1, 2022. The Company has reviewed its leases and in the process of assessing the impact of Topic 842. At the time of adoption, the Company records a right of use asset and a corresponding lease liability.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments.* The amendments in this update address eight specific cash flow issues with the objective of reducing the existing diversity in practice. The new standard is effective for the Company on January 1, 2019.

NOTE B – NOTE RECEIVABLE

Promissory Note Agreement

On June 9, 2022 ("Effective Date"), Body & Brain Yoga and Health Centers, Inc., an Arizona corporation ("Borrower") promises to pay to the order of the Company (the "Lender"), the sum of $230,000 with interest thereon at 3.46% per year. Borrower shall make a monthly payment in the amount of $663.17 for interest. The unpaid principal shall be payable in full on or before June 9, 2023 (the "Due Date").

NOTE B – NOTE RECEIVABLE

Promissory Note Agreement (Continued)

On September 21, 2022 ("Effective Date"), Body & Brain Yoga and Health Centers, Inc., an Arizona corporation ("Borrower") promises to pay to the order of the Company (the "Lender"), the sum of $150,000 with interest thereon at 3.46% per year. Borrower shall make a monthly payment in the amount of $432.50 for interest. The unpaid principal shall be payable in full on or before September 21, 2023 (the "Due Date").

NOTE C - RELATED PARTY TRANSACTIONS

Body & Brain Yoga and Health Centers, Inc.

Body & Brain Yoga and Health Centers, Inc. is the sole member of the Company and is engaged in the business of operating yoga, tai-chi and other mind-body practice.

Advertising Fund Fee Income

Body & Brain Yoga and Health Centers, Inc. orally agrees to pay the Company an advertising fee of 0.5% of program sales for Body & Brain Yoga and Health Centers, Inc. The advertising fund fee income amounts to $54,649, for the year ended December 31, 2022.

Software Service Agreement

On March 1, 2015 ("Effective Date"), the Company (Client) has a software service agreement with Body & Brain Yoga and Health Centers, Inc. (Provider). Provider is engaged in the business of providing yoga and wellness classes and programs, and is experienced in developing and maintaining online software specifically designed for the yoga and wellness industry. This agreement shall be commenced as of the Effective date and shall continue for a period of 1 year or until terminated by the mutual consent of the parties. Under the terms of this agreement, the Company shall pay to Provider $400 per month. Dues and subscription under the agreement amounted to $4,800 and $4,800 for the years ended December 31, 2022 and 2021, respectively.

Operating Lease Agreements

The Company has a premises use agreement with Body & Brain Yoga and Health Centers, Inc. The term of this agreement shall continue for a period of 1 month or until terminated as provided under this agreement. Under the terms of this agreement, the Company has the right to use the permitted portion of the premises, subject to the terms and provisions. Rent expense under the agreement amounted to $9,600 and $9,600 for the years ended December 31, 2022 and 2021, respectively.

NOTE C - RELATED PARTY TRANSACTIONS (CONTINUED)

Overall Management Services Agreements

The Company pays its sole member for management services. Management services include advertising, providing supplies, management oversight, secretarial services, accounting support, training, website development and referral fees. Overall Management services expenses amounted to $22,000 and $0 for the years ended December 31, 2022 and 2021, respectively.

Employee Lease Agreements

The Company has a employee lease agreement with Body & Brain Yoga and Health Centers, Inc. (BBYHC). Under the terms of the agreement, the Company shall lease from BBYHC, certain employees of BBYHC to perform services on a part-time basis as Regional Coordinators, Assistant Regional Coordinators or Support Staff on behalf and under the supervision, of the Company in addition to the services that such employees perform for BBYHC. Employee leasing expense under the agreement amounted to $52,650 and $54,600 for the year ended December 31, 2022 and 2021, respectively.

NOTE D - COMMITMENTS

Franchise Agreement

Franchise agreements provide for payment of initial fees, training fees, as well as continuing royalties and advertising fund fees to the Company based upon a percent of sales. Under this agreement, franchisees are granted a license to use certain trademarks, service marks, logos, trade dress and trade names, including the service marks "Body + Brain" and "Body & Brain Center" (collectively, the "Marks") in the operation of the franchisees.

Revenues from franchised centers consisted of:

	2022	2021
Royalties	$ 204,235	$ 211,186
Initial franchise fees	7,800	5,800
Franchise renewal fees	6,201	6,737
Owner training fees	-	30,000
Advertising fund fees	10,072	10,404
Other fees	-	-
Revenues from franchised centers	$ 228,308	$ 264,127

NOTE D - COMMITMENTS (CONTINUED)

Licensing Agreement

The Company (Licensee) has a licensing agreement with BR Consulting, Inc. (Licensor). This agreement automatically renews on an annual basis until terminated.

BR consulting, Inc. is the owner of all the intellectual property rights including, but not limited to, logos, trademarks, service marks, copyrights, and trade secrets which are related with Brain Education programs and/or operating Body & Brain Center. Licensor grants to Licensee, for the term of agreement, a non-exclusive license to use the licensed materials for distribution of Brain Education Programs and/or operation of Body & Brain Center within the authorized region and the right to sublicense the licensed materials to franchisees for the sole purpose of operating Body & Brain Centers pursuant to the terms of franchise agreements within the authorized region.

Under the terms of this agreement, the Company shall pay 20% on the total of the initial franchise fee, franchise renewal fee, training fee and transfer fee and 50% of royalties earned from franchisees by the Company. License expenses under this agreement totaled $142,586 and $114,101 for the years ended December 31, 2022 and 2021, respectively.

As of December 31, 2022, the Company owed $9,906 to BR Consulting Inc., which is included in accounts payable in the accompanying 2021 balance sheet.

Leased Facilities

The Company leases its operating facility under non-cancellable operating lease. The Company also has the right to use the permitted portion of the premises of Body & Brain Yoga and Health Centers, Inc. (BBYHC), subject to the terms and provisions under a premises use agreement.

The following is a schedule by year of minimum future yearly rental payments related to the operating facility lease as of December 31, 2022:

Year ending December 31,		
2023	$	33,411
2024		34,412
2025		8,666
Total lease payments		76,489
Less: Effects of discounting		3,509
Present value of lease liabilities	$	74,476

Rent and lease expense totaled $45,369 for the year ended December 31, 2022.

BODY AND BRAIN CENTER, LLC
Notes to the Financial Statements
December 31, 2022 and 2021

NOTE D - COMMITMENTS (CONTINUED)

Leased Facilities (Continued)

Amounts recognized as right-of-use (ROU) assets related to operating leases for operating facility and the premises of BBYHC are included in non current assets, net in the accompanying balance sheet, while related lease liabilities are included in Current portion of long-term debt and Long-term debt. As of December 31, 2022 right-of-use assets and lease liabilities related to operating leases were as follows:

	December 31, 2022
Operating lease ROU assets	$ 83,216
Operating lease liabilities:	
Current portion of lease liabilities	41,649
Non-current portion of lease liabilities	42,427

The Company use an incremental borrowing rate as the discount rate based on the information available at commencement date in determining the present value of lease payments.

Lease Term, Discount Rate and Other Information	December 31, 2022
Remaining lease term (years)	2.11
Weighted average discount rate	2.30%

NOTE E – FRANCHISING ACTIVITIES

The following table presents the franchisee activity that changed for the year ended December 31, 2022:

	Number of Centers (Retail Center)	Number of Centers (Home Based Center)
Franchised centers as of December 31, 2021	31	7
New franchised centers	1	-
Terminated franchised centers	(3)	-
Total centers as of December 31, 2022	29	7

BODY AND BRAIN CENTER, LLC
Notes to the Financial Statements
December 31, 2022 and 2021

NOTE F – GOODWILL

March 1, 2022, the Company purchased all of a business known as a yoga, tai-chi or meditation center's rights, title and interest for cash consideration of $15,000. Goodwill was recorded to reflect the excess of amount paid over the book value of the assets purchased.

Net assets	March 1, 2022
Goodwill	$ 12,885
Security Deposit	2,115
Total	$ 15,000

With its annual impairment testing as of December 31, 2022, there was no specific impairment charge in relation to goodwill recorded in the Income Statement.

As of December 31, 2022, the carrying amount of goodwill was $12,885.

NOTE G – CONCENTRATION OF RISK

Credit Risk

Financial instruments that are potentially subjected to the Company in concentration of credit risk consist of cash and cash equivalents. These are deposited and maintained by several financial institutions and at times are in excess of Federal Deposit Insurance Corporation limit of $ 250,000 per financial institution.

NOTE H – SUPPLEMENTAL DISCLOSURES OF CASH FLOW STATEMENT

During the years ended December 31, 2022 and 2021, there was no cash payment for interest

NOTE I – SUBSEQUESNT EVENTS

Date of Management Evaluation

Management has evaluated subsequent events through February 7, 2023, the date on which the financial statements were available to be issued. There were no subsequent events that required recognition or disclosure.

Supplementary Information

BODY AND BRAIN CENTER, LLC
Schedule of Operating Expenses
Years Ended December 31, 2022 and 2021

	2022	2021
Operating Expense		
Advertising and promotional expense	$ 16,595	$ 6,500
Advertising service fee	-	6,000
Automobile Expense	500	45
Award expense	2,650	1,975
Bad debt expense	136	-
Bank service charges	9,176	3,624
Business Promotion	575	-
Dues and subscription	7,207	5,821
Employee Benefit	825	350
Employee leasing fee	52,650	54,600
Health insurance expense	20,167	10,825
Insurance expense	18,644	17,038
Management fee expense	22,000	-
Meals and entertainment	453	96
Miscellaneous Expense	3,567	-
Office supplies	1,086	123
Payroll service fee	3,848	4,008
Payroll tax expense	10,587	7,167
Postage and delivery	365	48
Printing and Reproduction	-	576
Professional fee	12,350	16,836
Rent	45,369	10,417
Repair and Maintenance	277	-
Royalty expense	142,586	114,101
Tax and licenses expense	3,113	2,647
Telephone expense	1,742	143
Travel expense	31	150
Utilities	1,057	-
Wages	143,171	49,849
Workshop Expense	179	-
Total Operating Expenses	520,908	$ 312,938

See accompanying accountants' audited report and notes to financial statements.

BODY AND BRAIN CENTER, LLC

Financial Statements

Years Ended December 31, 2021 and 2020

with

Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Members
BODY AND BRAIN CENTER, LLC

Opinion

We have audited the financial statements of Body and Brain Center, LLC (an Arizona limited liability company and wholly owned subsidiary of Body & Brain Yoga and Health Centers, Inc.), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statement of income, changes in member's equity, and cash flows for the years then ended, and the related notes to the financial statements. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Body and Brain Center, LLC as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounts principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Body and Brain Center, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is required to evaluate whether there are conditions or events considered in the aggregate that raise substantial doubt that Body and Brain Center, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exist. The risk of not detecting material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

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In performing an audit in accordance with GAAS we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Body and Brain Center, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Body and Brain Center LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

ABC CPAs
Los Angeles, CA

February 15, 2022

BODY AND BRAIN CENTER, LLC
Financial Statements
with
Independent Auditors' Report
Years Ended December 31, 2021 and 2020

Table of Contents

BODY AND BRAIN CENTER, LLC
Balance Sheet
December 31, 2021 and 2020

		2021		2020
Assets				
Current Assets				
Cash and cash equivalents	$	292,639	$	370,564
Accounts receivable, Net		16,574		15,698
Interest receivable		204		97
Tax receivable - Employee Retention Credit		28,703		-
Note receivable		380,000		380,000
Prepaid expenses		4,427		4,651
Total Current Assets		722,547		771,010
Restricited Cash		381,361		324,711
Total Assets	$	1,103,908	$	1,095,721
Liabilities and Member's Equity				
Current Liabilities				
Accounts payable	$	78,504	$	48,494
Accrued liabilities		19,158		15,760
Deferred revenue		70,540		121,540
Other payable		5,945		6,135
Unearned revenue, current portion		10,304		9,901
Total Current Liabilities		184,451		201,830
Non Current Liabilities				
Unearned revenue		17,664		25,603
Total Non Current Liabilities		17,664		25,603
Total Liabilities		202,115		227,433
Member's Equity		901,793		868,288
Total Liabilities and Equity	$	1,103,908	$	1,095,721

See accompanying accountants' audited report and notes to financial statements.

BODY AND BRAIN CENTER, LLC
Statement of Income and Changes in Member's Equity
Years Ended December 31, 2021 and 2020

	2021	2020
Revenue		
Royalties	$ 211,186	$ 203,400
Initial franchise fee	5,800	5,800
Franchise renewal fee	6,737	3,748
Owner training fee	30,000	50,000
Transfer fee	-	3,000
Advertising fund fee	65,059	60,969
Total Revenue	318,782	326,917
Operating Expenses	312,938	357,121
Operating Income	5,844	(30,204)
Other Income		
Interest income	3,203	6,789
Employee leasing income	24,240	16,284
Commission Income	-	11,616
Other income	218	-
Other Income	27,661	34,689
Net Income	33,505	4,485
Beginning Member's Equity	868,288	863,803
Ending Member's Equity	$ 901,793	$ 868,288

See accompanying accountants' audited report and notes to financial statements.

BODY AND BRAIN CENTER, LLC
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Net Income	$ 33,505	$ 4,485
Adjustments to reconcile net income to net cash provided by operationg activities		
Changes in operating activities		
(Increase) decrease in		
Accounts receivable	(876)	18,711
Interest receivable	(107)	388
Tax receivable - Employee Retention Credit	(28,703)	-
Prepaid expenses	224	2,396
Increase (decrease) in		
Accounts payable	30,010	30,047
Accrued liabilities	3,398	(2,053)
Deferred revenue	(51,000)	(20,000)
Other payable	(190)	(1,485)
Unearned revenue	(7,537)	(48)
Net cash provided by (used in) operating activities	(21,276)	32,441
Increase (Decrease) in Cash	(21,276)	32,441
Cash, Cash Equivalents and Restricted Cash - Beginning of year	695,276	662,834
Cash, Cash Equivalents and Restricted Cash - End of year	$ 674,000	$ 695,275

See accompanying accountants' audited report and notes to financial statements.

BODY AND BRAIN CENTER, LLC
Notes to the Financial Statements
December 31, 2021 and 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Company is presented to assist in understanding the Company's financial statements. The financial statements and notes are the representations of the Company's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of Operation

Body and Brain Center, LLC (the "Company") is an Arizona limited liability Company that was organized on December 12, 2007. The Company is a wholly-owned subsidiary of Body & Brain Yoga and Health Centers, Inc. The Company is engaged in the business of franchising a chain of studios providing yoga classes, including dieting programs, exercise programs, relaxation programs, healing programs, life coaching and other mind-body practice programs, known as "Body & Brain" franchisees. Each franchisee independently operates a center using the Marks, the Unique System, the Body and Brain name, as well as the support, guidance and other methods and materials provided or developed by the Company.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates. Estimates are based on management's previous experience including expectations of future events under normal conditions. The aforementioned judgments, estimates and assumptions are periodically re-assessed in order to be in line with current available data and reflect current risks.

Cash and Cash Equivalents

Cash and cash equivalents comprise of cash in bank and on hand. The Company considers highly liquid investments with original maturities of three months or less to be cash and cash equivalents. Cash equivalents are stated at cost, which approximates fair value.

Restricted Cash

Restricted cash consists of amounts in a non-interest bearing checking account held by the Company only to be used for local, regional or national marketing, advertising, sales promotion. As of December 31, 2021, the Company has $381,361 of restricted cash which is classified as a non-current asset.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable are recorded at the amount the Company expects to collect on balances at year-end. The Company maintains an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, current circumstances, and relationship with customer and current payment patterns. As of December 31, 2021, the allowance for doubtful accounts was $6,044.

Accounts receivable is consisted of the following:

	December 31, 2021
Account Receivable	$ 22,617
Less: allowance for doubtful accounts	(6,044)
	$ 16,573

Deferred Revenue

Deferred revenue includes franchise fees that have been paid, but have not yet been earned. The Company will recognize these revenues when all material services or conditions relating to the franchise agreement have been substantially performed until the center is opened.

Deferred revenue also includes advance payments for owner training programs which have not yet taken place. The Company will recognize training revenue when the training is provided to the participants.

Deferred revenue amounted to $70,540 and $121,540 as of December 31, 2021 and 2020, respectively.

Revenue Recognition

Revenues from franchisees consist of initial franchise fees, owner training fees, royalties, and advertising fund fees based on a percentage of each franchisee's program sales. Historically, the initial franchise fees are recognized upon opening of a center, which is when the Company has performed substantially all initial services required by the franchise agreement. Under the amendments on the Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606) issued by the Financial Accounting Standard Board (FASB), the franchise right is a distinct performance obligation that transfers over time. Any portion of the initial fee that is allocated to the franchise right should be recognized over the contract term. Accordingly, the initial franchise fees and renewal fee income is recognized over the contract term. Owner training fee revenue is recognized upon the completion of a training program provided by the Company.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Royalties and advertising fund fees are recognized on a monthly basis and are based upon an agreed upon percentage of franchisees' program sales, as defined in the franchise agreement. Advertising fund fees are restricted for the purpose of marketing, sales promotion and promotional materials and are included in the accompanying balance sheets as restricted cash.

Employee Retention Credit

The Company qualified for federal government assistance during the current fiscal year in the amount of approximately $45,150 through Employee Retention Credit provisions of the Consolidated Appropriation Act of 2021. The purpose of the Employee Retention Credit is to encourage employers to keep employees on the payroll, even if they are not working during the covered period due to the effects of the coronavirus outbreak. These funds are recorded in the Statement of Operations as an offset to wages in their respective expense lines and as a tax receivable on the balance sheets which is not received during the year.

Advertising Costs

The Company expenses all advertising costs when incurred. Advertising expense amounted to $6,500 and $4,070 for the years ended December 31, 2021 and 2020, respectively.

Income Taxes

The Company is a single member limited liability company and has followed the default tax classification as a disregarded entity under the provisions of the Internal Revenue Code. Accordingly, the Company does not pay income taxes and does not file income tax returns. Instead, its earnings and losses are included in the income tax return of the sole member. Therefore, the financial statements do not reflect a provision for income taxes.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASC No. 2016-02, Leases *(Topic 842),* aimed at making leasing activities more transparent and comparable. The new standard requires substantially all leases, including operating leases, be recognized by lessees on their balance sheet as a right-of-use asset and corresponding lease liability. ASU No. 2016-02 is effective for the Company on January 1, 2020, and early adoption is permitted. On November 15, 2019, the FASB issued ASU 2019-10, which changes effective date for new standard on lease (ASC 842), to January 1, 2021 from January 1, 2020. In June 2020, the FASB issued ASU 2020-05, which amends the effective date of the board's standards on leasing (ASC 842) to defer the effective date of ASC 842 as a result of the widespread adverse economic effects and business disruptions caused by the coronavirus disease 2019(Covid-16) pandemic.: delay by one year the effective dates of its lease accounting standard for private companies for fiscal years beginning after December 15, 2021.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

The Company has reviewed its leases and in the process of assessing the impact of Topic 842. At the time of adoption, the Company will record a right of use asset and a corresponding lease liability.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments.* The amendments in this update address eight specific cash flow issues with the objective of reducing the existing diversity in practice. The new standard is effective for the Company on January 1, 2019.

NOTE B – NOTE RECEIVABLE

Promissory Note Agreement

On June 9, 2021 ("Effective Date"), Body & Brain Yoga and Health Centers, Inc., an Arizona corporation ("Borrower") promises to pay to the order of the Company (the "Lender"), the sum of $230,000 with interest thereon at 1.23% per year. Borrower shall make a monthly payment in the amount of $235.75 for interest. The unpaid principal shall be payable in full on or before June 9, 2022 (the "Due Date").

On September 21, 2021 ("Effective Date"), Body & Brain Yoga and Health Centers, Inc., an Arizona corporation ("Borrower") promises to pay to the order of the Company (the "Lender"), the sum of $150,000 with interest thereon at 1.04% per year. Borrower shall make a monthly payment in the amount of $130 for interest. The unpaid principal shall be payable in full on or before September 21, 2022 (the "Due Date").

NOTE C - RELATED PARTY TRANSACTIONS

Body & Brain Yoga and Health Centers, Inc.

Body & Brain Yoga and Health Centers, Inc. is the sole member of the Company and is engaged in the business of operating yoga, tai-chi and other mind-body practice.

Advertising Fund Fee Income

Body & Brain Yoga and Health Centers, Inc. orally agrees to pay the Company an advertising fee of 0.5% of program sales for Body & Brain Yoga and Health Centers, Inc. The advertising fund fee income amounts to $51,483, for the year ended December 31, 2021.

NOTE C - RELATED PARTY TRANSACTIONS (CONTINUED)

Software Service Agreement

On March 1, 2015 ("Effective Date"), the Company (Client) has a software service agreement with Body & Brain Yoga and Health Centers, Inc. (Provider). Provider is engaged in the business of providing yoga and wellness classes and programs, and is experienced in developing and maintaining online software specifically designed for the yoga and wellness industry. This agreement shall be commenced as of the Effective date and shall continue for a period of 1 year or until terminated by the mutual consent of the parties. Under the terms of this agreement, the Company shall pay to Provider $400 per month. Dues and subscription under the agreement amounted to $4,800 and $4,800 for the years ended December 31, 2021 and 2020, respectively.

Operating Lease Agreements

The Company has a premises use agreement with Body & Brain Yoga and Health Centers, Inc. The term of this agreement shall continue for a period of 1 month or until terminated as provided under this agreement. Under the terms of this agreement, the Company has the right to use the permitted portion of the premises, subject to the terms and provisions. Rent expense under the agreement amounted to $9,600 and $9,600 for the years ended December 31, 2021 and 2020, respectively.

Overall management services agreements

The Company pays its sole member for management services. Management services include advertising, providing supplies, management oversight, secretarial services, accounting support, training, website development and referral fees. Overall Management services expenses amounted to $0 and $29,395 for the years ended December 31, 2021 and 2020, respectively.

NOTE D - COMMITMENTS

Franchise Agreement

Franchise agreements provide for payment of initial fees, training fees, as well as continuing royalties and advertising fund fees to the Company based upon a percent of sales. Under this agreement, franchisees are granted a license to use certain trademarks, service marks, logos, trade dress and trade names, including the service marks "Body + Brain" and "Body & Brain Center" (collectively, the "Marks") in the operation of the franchisees.

BODY AND BRAIN CENTER, LLC
Notes to the Financial Statements
December 31, 2021 and 2020

NOTE D - COMMITMENTS (CONTINUED)

Franchise Agreement (Continued)

Revenues from franchised centers consisted of:

	2021	2020
Royalties	$ 211,186	$ 203,400
Initial franchise fees	5,800	5,800
Franchise renewal fees	6,737	3,748
Owner training fees	30,000	50,000
Advertising fund fees	10,404	9,984
Other fees	-	3,000
Revenues from franchised centers	$ 254,763	$ 275,932

Licensing Agreement

The Company (Licensee) has a licensing agreement with BR Consulting, Inc. (Licensor). This agreement automatically renews on an annual basis until terminated.

BR consulting, Inc. is the owner of all the intellectual property rights including, but not limited to, logos, trademarks, service marks, copyrights, and trade secrets which are related with Brain Education programs and/or operating Body & Brain Center. Licensor grants to Licensee, for the term of agreement, a non-exclusive license to use the licensed materials for distribution of Brain Education Programs and/or operation of Body & Brain Center within the authorized region and the right to sublicense the licensed materials to franchisees for the sole purpose of operating Body & Brain Centers pursuant to the terms of franchise agreements within the authorized region.

Under the terms of this agreement, the Company shall pay 20% on the total of the initial franchise fee, franchise renewal fee, training fee and transfer fee and 50% of royalties earned from franchisees by the Company. License expenses under this agreement totaled $114,101 and $114,209 for the years ended December 31, 2021 and 2020, respectively.

As of December 31, 2021, the Company owed $10,751 to BR Consulting Inc., which is included in accounts payable in the accompanying 2021 balance sheet.

BODY AND BRAIN CENTER, LLC
Notes to the Financial Statements
December 31, 2021 and 2020

NOTE E – FRANCHISING ACTIVITIES

The following table presents the franchisee activity that changed for the year ended December 31, 2021:

	Number of Centers (Retail Center)	Number of Centers (Home Based Center)
Franchised centers as of December 31, 2020	36	7
New franchised centers	-	1
Terminated franchised centers	(5)	(1)
Total centers as of December 31, 2021	31	7

NOTE F – CONCENTRATION OF RISK

Credit Risk

Financial instruments that are potentially subjected to the Company in concentration of credit risk consist of cash and cash equivalents. These are deposited and maintained by several financial institutions and at times are in excess of Federal Deposit Insurance Corporation limit of $ 250,000 per financial institution.

NOTE G – SUPPLEMENTAL DISCLOSURES OF CASH FLOW STATEMENT

During the years ended December 31, 2021 and 2020, there was no cash payment for interest.

NOTE H – SUBSEQUESNT EVENTS

Date of Management Evaluation

Management has evaluated subsequent events through February 15, 2022, the date on which the financial statements were available to be issued. There were no subsequent events that required recognition or disclosure.

Supplementary Information

BODY AND BRAIN CENTER, LLC
Schedule of Operating Expenses
Years Ended December 31, 2021 and 2020

	2021	2020
Operating Expense		
Advertising and promotional expense	$ 6,500	$ 4,070
Advertising service fee	6,000	3,000
Automobile Expense	45	-
Award expense	1,975	2,250
Bad debt expense	-	1,309
Bank service charges	3,624	5,630
Dues and subscription	5,820	5,881
Education expense	-	144
Employee Benefit	350	-
Employee leasing fee	54,600	54,600
Health insurance expense	10,825	10,030
Insurance expense	17,038	18,917
Management fee expense	-	29,395
Meals and entertainment	96	-
Office supplies	122	-
Payroll service fee	4,008	3,408
Payroll tax expense	7,167	5,537
Postage and delivery	48	-
Printing and Reproduction	576	-
Professional fee	16,836	12,510
Rent	10,417	10,350
Royalty expense	114,101	114,209
Tax and licenses expense	2,647	3,425
Telephone expense	143	143
Travel expense	150	-
Wages	49,849	72,313
Total Operating Expenses	$ 312,937	$ 357,121

See accompanying accountants' audited report and notes to financial statements.

<u>State Effective Dates</u>

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	~~March 13, 2023~~Pending
Hawaii	Pending*
Illinois	Pending*
Maryland	Pending*
Minnesota	Pending*
New York	Pending*
Virginia	Pending*
Washington	~~March 14, 2023*~~Pending*

* This effective date pertains to a separate state-specific FDD for the registration of this Body & Brain Center franchise.

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

RECEIPT

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully. If Body and Brain Center, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with or make a payment to the franchisor or an affiliate for the proposed franchise sale.

If Body and Brain Center, LLC does not deliver this Disclosure Document on time, or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580, and the appropriate state agency listed in EXHIBIT "A" to this Disclosure Document.

The franchise seller(s) involved with the sale of this franchise is/are:

~~Hyung Jin Cho~~Jeong Hee Jeon, 1223 S. Clearview Ave., Suite 101, Mesa, Arizona 85209, (~~623) 217-4546~~480) 433-8495

Eun Jeong Lee, 1223 S. Clearview Ave., Suite 101, Mesa, Arizona 85209, (650) 339-5366

Joung Yoon, 1234 S. Power Road, Suite 151, Mesa, Arizona 85206, (480) 320-9701

Body and Brain Center, LLC's agent to receive service of process is listed in EXHIBIT "B" to this Disclosure Document.

Issuance date: February ~~13, 2023~~7, 2024

I have received the Body & Brain Franchise Disclosure Document for the State of California that included the following Exhibits:

EXHIBIT "A"	State Agencies and Administrators
EXHIBIT "B"	Agent for Service of Process
EXHIBIT "C"	Franchise Agreement
EXHIBIT "D"	Training Agreement
EXHIBIT "E"	General Release
EXHIBIT "F"	Referral Agreement
EXHIBIT "G"	Software Service Agreement
EXHIBIT "H"	Table of Contents of the confidential Operating Manuals
EXHIBIT "I"	State Addendum
EXHIBIT "J"	List of Franchisees
EXHIBIT "K"	Financial Statements of Body and Brain Center, LLC
EXHIBIT "L"	State Effective Dates and Receipts

Print Name

Date

(Signature) Prospective Franchise Owner

(This receipt should be signed in duplicate. One Receipt must be signed and remains in the Franchise Disclosure Document as the prospective franchise owner's copy. The other Receipt must be signed and returned to Body and Brain Center, LLC.)

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