

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q  
(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **March 31, 2024**

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: **001-41479**

**REBORN COFFEE, INC.**

(Exact name of Registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**47-4752305**

(I.R.S. Employer  
Identification Number)

**580 N. Berry Street, Brea, CA 92821**

**(714) 784-6369**

(Address, including zip code, and telephone number, including  
area code, of Registrant's principal executive offices)

**N/A**

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.0001 par value per share	REBN	The Nasdaq Stock Market LLC (Nasdaq Capital Market)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

The registrant has 3,366,525 shares of common stock outstanding as of July 17, 2024.

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#### NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") that are based on our management's beliefs and assumptions and on information currently available to management, and which statements involve substantial risk and uncertainties. All statements contained in this Quarterly Report on Form 10-Q other than statements of historical fact, including statements regarding our future operating results and financial position, our business strategy and plans, market growth and trends, and objectives for future operations are forward-looking statements. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as "may," "will," "should," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "potential," or "continue" or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans or intentions.

These risks and uncertainties include, among other things, risks related to our expectations regarding the impact of the coronavirus pandemic (the "COVID-19 pandemic"), including the easing of related regulations and measures as the pandemic and its related effects begin to abate or have abated, on our business, results of operations, financial condition, and future profitability and growth; our expectations regarding the impact of the evolving COVID-19 pandemic on the businesses of our customers, partners and suppliers, and the economy, as well as the macro- and micro-effects of the pandemic and differing levels of demand for our products as our customers' priorities, resources, financial conditions and economic outlook change; global macro-economic conditions, including the effects of inflation, rising interest rates and market volatility on the global economy; our ability to estimate the size of our total addressable market, and the development of the market for our products, which is new and evolving; our ability to effectively sustain and manage our growth and future expenses, achieve and maintain future profitability, attract new customers and maintain and expand our existing customer base; our ability to scale and update our platform to respond to customers' needs and rapid technological change; the effects of increased competition in our market and our ability to compete effectively; our ability to expand use cases within existing customers and vertical solutions; our ability to expand our operations and increase adoption of our platform internationally; our ability to strengthen and foster our relationships with developers; our ability to expand our direct sales force, customer success team and strategic partnerships around the world; the impact of any data breaches, cyberattacks or other malicious activity on our technology systems; our ability to identify targets for and execute potential acquisitions; our ability to successfully integrate the operations of businesses we may acquire, and to realize the anticipated benefits of such acquisitions; our ability to maintain, protect and enhance our brand; the sufficiency of our cash, cash equivalents and capital resources to satisfy our liquidity needs; limitations on us due to obligations we have under our credit facility or other indebtedness; our failure or the failure of our software to comply with applicable industry standards, laws and regulations; our ability to maintain, protect and enhance our intellectual property; our ability to successfully defend litigation against us; our ability to attract large organizations as users; our ability to maintain our corporate culture; our ability to offer high-quality customer support; our ability to hire, retain and motivate qualified personnel, including executive level management; our ability to successfully manage and integrate executive management transitions; our ability to estimate the size and potential growth of our target market; uncertainties regarding the impact of general economic and market conditions, including as a result of regional and global conflicts or related government sanctions; our ability to successfully implement and maintain new and existing information technology systems, including our ERP system; and our ability to maintain proper and effective internal controls.

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Quarterly Report on Form 10-Q primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations, and prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties, and other factors described in the section titled "Risk Factors" and found in our Annual Report on Form 10-K/A filed for the year ended December 31, 2023. We undertake no obligation to update any forward-looking statements after the date of this Quarterly Report on Form 10-Q or to conform such statements to actual results or revised expectations, except as required by law.

#### PART I—FINANCIAL INFORMATION

##### Item 1. Unaudited Consolidated Financial Statements.

##### Reborn Coffee, Inc. and Subsidiaries Unaudited Condensed Consolidated Balance Sheets

<i>As of</i>	<i>March 31, 2024</i>	<i>December 31, 2023</i>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 70,251	\$ 164,301
Accounts receivable, net of allowance for doubtful accounts of \$ 0 and \$0, respectively	192,724	56,938

Inventories, net	266,698	185,061
Prepaid expense and other current assets	1,163,311	359,124
Total current assets	1,692,984	765,424
Property and equipment, net	4,417,702	3,494,050
Operating lease right-of-use asset	4,350,335	4,566,968
Other assets	419,482	425,712
<b>Total assets</b>	<b>\$ 10,880,503</b>	<b>\$ 9,252,154</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 513,008	\$ 632,753
Accrued expenses and current liabilities	724,693	611,290
Loans payable to financial institutions – current portion	729,968	791,352
Loan payable to other	709,027	609,027
Loan payable to shareholder	200,000	100,000
Current portion of loan payable, emergency injury disaster loan (EIDL)	30,060	30,060
Current portion of loan payable, payroll protection program (PPP)	45,678	45,678
Current portion of operating lease liabilities	975,013	1,003,753
Total current liabilities	3,927,447	3,823,913
Loans payable to financial institutions, less current portion	335,147	335,147
Loan payable, emergency injury disaster loan (EIDL), less current portion	469,940	469,940
Loan payable, payroll protection program (PPP), less current portion	39,819	51,595
Operating lease liabilities, net of current portion	3,536,804	3,525,153
Total liabilities	8,309,157	8,405,748
<b>Commitments and Contingencies</b>		
<b>Stockholders' equity</b>		
Common Stock, \$0.0001 par value, 40,000,000 shares authorized; 2,849,672 and 1,866,174 shares issued and outstanding at March 31, 2024 and December 31, 2023	285	187
Preferred Stock, \$0.0001 par value, 1,000,000 shares authorized; no shares issued and outstanding at March 31, 2024 and December 31, 2023	-	-
Additional paid-in capital	20,303,045	17,603,143
Accumulated deficit	(17,747,468)	(16,756,924)
Accumulated other comprehensive income (loss)	15,484	-
Total stockholders' equity	2,571,346	846,406
<b>Total liabilities and stockholders' equity</b>	<b>\$ 10,880,503</b>	<b>\$ 9,252,154</b>

See accompanying notes to unaudited condensed consolidated financial statements.

**Reborn Coffee, Inc. and Subsidiaries**  
**Unaudited Condensed Consolidated Statements of Operations**

<b>For the Three Months Ended March 31,</b>	<b>2024</b>	<b>2023</b>
<b>Net revenues:</b>		
Stores	\$ 1,471,654	\$ 1,109,051
Wholesale and online	46,408	13,270
Total net revenues	1,518,062	1,122,321
<b>Operating costs and expenses:</b>		
Product, food and drink costs—stores	306,293	363,819
Cost of sales—wholesale and online	75,077	5,812
General and administrative	2,000,264	1,704,651
Total operating costs and expenses	2,381,634	2,074,282
Loss from operations	(863,572)	(951,961)
<b>Other income (expense):</b>		
Other income	7,809	-
Interest expense	(134,781)	(12,203)
Total other income (expense), net	(126,972)	(12,203)
Loss before income taxes	(990,544)	(964,164)
Provision for income taxes	-	-
<b>Net loss</b>	<b>\$ (990,544)</b>	<b>\$ (964,164)</b>
Loss per share:		
Basic and diluted	(0.60)	(0.63)

Weighted average number of common shares outstanding:		
Basic and diluted	<u>1,653,826</u>	<u>1,521,628</u>

See accompanying notes to unaudited condensed consolidated financial statements.

**Reborn Coffee, Inc. and Subsidiaries**  
**Unaudited Condensed Consolidated Stockholders' Equity (Deficit)**

	<u>Common Stock</u>		<u>Preferred Stock</u>		<u>Additional</u>	<u>Subscription</u>	<u>Accumulated</u>	<u>Accumulated</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Paid-in</u>	<u>of Common</u>	<u>Deficit</u>	<u>Other</u>	<u>Shareholders'</u>
					<u>Capital</u>	<u>Stock</u>		<u>Comprehensive</u>	<u>Equity</u>
								<u>Income (Loss)</u>	<u>(Deficit)</u>
Balance as of December 31, 2022	<u>1,645,340</u>	<u>\$ 165</u>	<u>-</u>	<u>\$ -</u>	<u>\$16,318,165</u>	<u>\$ -</u>	<u>\$ (12,031,801)</u>	<u>-</u>	<u>\$ 4,286,529</u>
Net loss	-	-	-	-	-	-	(964,164)	-	(964,164)
Balance as of March 31, 2023	<u>1,645,340</u>	<u>\$ 165</u>	<u>-</u>	<u>\$ -</u>	<u>\$16,318,165</u>	<u>\$ -</u>	<u>\$ (12,995,965)</u>	<u>-</u>	<u>\$ 3,322,365</u>
	<u>Common Stock</u>		<u>Preferred Stock</u>		<u>Additional</u>	<u>Subscription</u>	<u>Accumulated</u>	<u>Accumulated</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Paid-in</u>	<u>of Common</u>	<u>Deficit</u>	<u>Other</u>	<u>Shareholders'</u>
					<u>Capital</u>	<u>Stock</u>		<u>Comprehensive</u>	<u>Equity</u>
								<u>Income (Loss)</u>	<u>(Deficit)</u>
Balance as of December 31, 2023	<u>1,866,174</u>	<u>\$ 187</u>	<u>-</u>	<u>\$ -</u>	<u>\$17,603,143</u>	<u>\$ -</u>	<u>\$ (16,756,924)</u>	<u>-</u>	<u>\$ 846,406</u>
Net loss	-	-	-	-	-	-	(990,544)	-	(990,544)
Common stock issued	983,498	98	-	-	2,699,902	-	-	-	2,700,000
Foreign currency translation								15,484	15,484
Balance as of March 31, 2024	<u>2,849,672</u>	<u>\$ 285</u>	<u>-</u>	<u>\$ -</u>	<u>\$20,303,045</u>	<u>\$ -</u>	<u>\$ (17,747,468)</u>	<u>15,484</u>	<u>\$ 2,571,346</u>

See accompanying notes to unaudited condensed consolidated financial statements.

**Reborn Coffee, Inc. and Subsidiaries**  
**Unaudited Consolidated Statements of Cash Flows**

<i>For the Three Months Ended March 31,</i>	<u>2024</u>	<u>2023</u>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (990,544)	\$ (964,164)
Adjustments to reconcile net loss to net cash used in operating activities:		
Operating lease	(456)	23,099
Depreciation	63,330	56,097
Changes in operating assets and liabilities:		
Accounts receivable	(135,786)	(2,919)
Inventories	(81,637)	8,606
Prepaid expense and other current assets	(797,957)	(879,762)
Accounts payable	(104,261)	33,009
Accrued expenses and current liabilities	113,403	62,727
Net cash used in operating activities	<u>(1,933,908)</u>	<u>(1,663,307)</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(986,982)	(470,851)
Net cash used in investing activities	<u>(986,982)</u>	<u>(470,851)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of common stock	2,700,000	-
Proceeds from borrowings from loan to others	100,000	
Proceeds from borrowings from loan to shareholder	100,000	
Repayment of loans	(73,160)	(11,776)
Net cash provided by financing activities	<u>2,826,840</u>	<u>(11,776)</u>
Net increase (decrease) in cash	(94,050)	(2,145,934)
Cash at beginning of period	<u>164,301</u>	<u>3,019,035</u>
Cash at end of period	<u>\$ 70,251</u>	<u>\$ 873,101</u>

**Supplemental disclosure of cash flow information:**

Lease liabilities	\$ 216,633	\$ 266,188
Interest	\$ 134,781	\$ 7,515
Income taxes	\$ -	\$ -

See accompanying notes to unaudited condensed consolidated financial statements.

**REBORN COFFEE, INC. AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**1. NATURE OF OPERATIONS**

Reborn Coffee, Inc. ("Reborn") was incorporated in the State of Florida in January 2018. In July 2022, Reborn was migrated from Florida to Delaware, and filed a certificate of incorporation with the Secretary of State of the State of Delaware having the same capitalization structure as the Florida predecessor entity. Reborn has the following subsidiaries:

- **Reborn Global Holdings, Inc.** ("Reborn Holdings"), a California Corporation incorporated in November 2014 and wholly-owned by Reborn Coffee, Inc. Reborn Holdings is engaged in the operation of wholesale distribution and retail coffee stores in California to sell a variety of coffee, tea, Reborn brand name water and other beverages along with bakery and dessert products.
- **Reborn Coffee Franchise, LLC** (the "Reborn Coffee Franchise"), a California limited liability corporation formed in December 2020 and wholly-owned by Reborn Coffee, Inc. is a franchisor providing premier roaster specialty coffee to franchisees or customers. Reborn Coffee Franchise continues to develop the Reborn Coffee system for the establishment and operation of Reborn Coffee stores using one or more Reborn Coffee marks. Reborn Coffee Franchise does not have any franchisee as of December 31, 2023.
- **Reborn Realty, LLC** (the "Reborn Realty"), a California limited liability corporation formed in March 2023 and wholly-owned by Reborn Coffee, Inc. is an entity which acquired a real property located at 596 Apollo Street, Brea, California.
- **Reborn Coffee Korea, Inc.** (the "Reborn Korea") – a Korea corporation located in Daejeon, South Korea formed in October 2023 and wholly-owned by Reborn Coffee, Inc. with one retail coffee store under the brand name of Reborn Coffee.
- **Reborn Malaysia, Inc.** (the "Reborn Malaysia") – a Malaysian corporation located in Kuala Lumpur, Malaysia formed in October 2023, is majority owned by Reborn Coffee, Inc. (60% ownership), with one retail coffee store under the brand name of Reborn Coffee.

Reborn Coffee, Inc., Reborn Global Holdings, Inc., Reborn Coffee Franchise, LLC, Reborn Realty, LLC, Reborn Korea and Reborn Malaysia will be collectively referred as the "Company".

**Going Concern Matters**

The accompanying consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America ("GAAP"), which contemplates the Company's continuation as a going concern. The Company incurred a net comprehensive loss of \$990,544 during the three months ended March 31, 2024, and has an accumulated deficit of \$ 17,747,468 as of March 31, 2024. In addition, current liabilities exceed current assets by \$2,234,463 as of March 31, 2024.

Management intends to raise additional operating funds through equity and/or debt offerings. However, there can be no assurance management will be successful in its endeavors.

There are no assurances that the Company will be able to either (1) achieve a level of revenues adequate to generate sufficient cash flow from operations; or (2) obtain additional financing through either private placement, public offerings, and/or bank financing necessary to support its working capital requirements. To the extent that funds generated from operations and any private placements, public offerings, and/or bank financing are insufficient, the Company will have to raise additional working capital. No assurance can be given that additional financing will be available, or if available, will be on terms acceptable to the Company. If adequate working capital is not available to the Company, it may be required to curtail or cease its operations.

Due to uncertainties related to these matters, there exists substantial doubt about the ability of the Company to continue as a going concern. The accompanying consolidated financial statements do not include any adjustments related to the recoverability or classification of asset-carrying amounts or the amounts and classification of liabilities that may result should the Company be unable to continue as a going concern.

**Unaudited Interim Financial Statements**

The accompanying interim unaudited condensed consolidated financial statements ("Interim Financial Statements") of the Company and its 100%-owned subsidiaries have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and are presented in accordance with the requirements of Form 10-Q and Regulation S-X. Accordingly, these Interim Financial Statements do not include all of the information and notes required by GAAP for complete financial statements. These Interim Financial Statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2023 included in the Company's Form 10-K/A. In the opinion of management, the Interim Financial Statements included herein contain all adjustments, including normal recurring adjustments, considered necessary to present fairly the Company's financial position, the results of operations and cash flows for the periods presented.

The operating results and cash flows of the interim periods presented herein are not necessarily indicative of the results to be expected for any other interim period or the full year.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

## Reporting

The unaudited condensed consolidated financial statements include Reborn Coffee, Inc. and its wholly owned subsidiaries as of March 31, 2024 and December 31, 2023 and for the three months ended March 31, 2024 and 2023.

## Basis of Presentation and Consolidation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") as promulgated in the United States of America. The consolidated financial statements include Reborn Coffee, Inc. and its wholly owned subsidiary. All intercompany accounts, transactions, and profits have been eliminated upon consolidation.

## Minority Interest

Reborn owns 60% of Reborn Malaysia located in Kuala Lumpur with one retail coffee store under the brand name of Reborn Coffee. For the three-month period ended March 31, 2024, Reborn's interest was not material as the store in Malaysia opened in November 2023 and operated in limited capacity and revenue.

## Reverse Stock Split

On January 12, 2024, the Company filed a Certificate of Amendment (the "Certificate of Amendment") to the Company's Certificate of Incorporation to effect a reverse stock split of its issued Common Stock in the ratio of 1-for-8 (the "Reverse Stock Split"). The Common Stock began trading on the Nasdaq Capital Market on a Reverse Stock Split-adjusted basis at the market open on Monday, January 22, 2024.

## Segment Reporting

FASB ASC Topic 280, Segment Reporting, requires public companies to report financial and descriptive information about their reportable operating segments. The Company's management identifies operating segments based on how the Company's management internally evaluate separate financial information, business activities and management responsibility. At the current time, the Company has only one reportable segment, consisting of both the wholesale and retail sales of coffee, water, and other beverages. The Company's franchisor subsidiary was not material as of and for the three-month ended March 31, 2024 and 2023.

We shall generate revenues from two geographic areas, consisting of North America and Asia. The following enterprise-wide disclosure is prepared on a basis consistent with the preparation of the consolidated financial statements. The following table contains certain financial information by geographic area:

<i><b>For the Three Months Ended March 31,</b></i>	<i><b>2024</b></i>	<i><b>2023</b></i>
<b>Net Sales:</b>		
North America	\$ 1,364,862	\$ 1,122,321
Asia	153,200	-
Total net sales	<u>\$ 1,518,062</u>	<u>\$ 1,122,321</u>
<b>As of</b>	<i><b>March 31, 2024</b></i>	<i><b>December 31, 2023</b></i>
<b>Long-lived asset, net:</b>		
North America	\$ 2,832,362	\$ 2,162,263
Asia	1,585,340	1,331,787
Total long-lived asset, net	<u>\$ 4,417,702</u>	<u>\$ 3,494,050</u>

## Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires the Company to make estimates and assumptions that affect the amounts reported in our consolidated financial statements and the accompanying notes. Such estimates include accounts receivables, accrued liabilities, income taxes, long-lived assets, and deferred tax valuation allowances. These estimates generally involve complex issues and require management to make judgments, involve analysis of historical and future trends that can require extended periods of time to resolve, and are subject to change from period to period. In all cases, actual results could differ materially from estimates.

## Foreign Currency Translations

Reborn has controlling interests in subsidiaries in foreign countries, South Korea and Malaysia. Fluctuations in foreign currency impact the amount of total assets, liabilities, earnings and cash flows that the Company report for foreign subsidiaries upon the translation of these amounts into U.S. Dollars for, and as of the end of, each reporting period. In particular, the strengthening of the U.S. Dollar generally will reduce the reported amount of our foreign-denominated cash, cash equivalents, total revenues and total expense that we translate into U.S. Dollars and report in the Company's consolidated financial statements for, and as of the end of, each reporting period. However, a majority of the Company's consolidated revenue is denominated in U.S. Dollars, and therefore, the Company's revenue is not directly subject to foreign currency risk.

In accordance with FASB ASC 830, "Foreign Currency Matters", when an operation has transactions denominated in a currency other than its functional currency, they are measured in the functional currency. Changes in the expected functional currency cash flows caused by changes in exchange rates are included in net income for the period.

## Revenue Recognition

The Company recognizes revenue in accordance with Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers*. The Company's net revenue primarily consists of revenues from its retail stores and wholesale and online store. Accordingly, the Company recognizes revenue as follows:

- **Retail Store Revenue**

Retail store revenues are recognized when payment is tendered at the point of sale. Retail store revenues are reported net of sales, use or other transaction taxes that are collected from customers and remitted to taxing authorities. Sales taxes that are payable are recorded as accrued as other current liabilities. Retail store revenue makes up approximately 97% of the Company's total revenue.

- **Wholesale and Online Revenue**

Wholesale and online revenues are recognized when the products are delivered, and title passes to the customers or to the wholesale distributors. When customers pick up products at the Company's warehouse, or distributed to the wholesale distributors, the title passes, and revenue is recognized. Wholesale revenues make up approximately 3% of the Company's total revenue.

- **Royalties and Other Fees**

Franchise revenues consist of royalty fees and other franchise fees. Royalty fees are based on a percentage of a franchisee's weekly gross sales revenue at 5%. The Company recognizes the fee as the underlying sales occur. The Company recorded revenue from royalties of \$ 0 for the three months ended March 31, 2024 and 2023. Other fees are earned as incurred and the Company did not have any other fee revenue for the years ended March 31, 2024 and 2023.

#### **Cost of Sales**

Product, food and drink costs – stores and cost of sales – wholesale and online primarily include the costs of ingredients of food and beverage sold and related supplies used in customer service. The wholesale and online sales also include costs of packaging and shipping.

#### **Shipping and Handling Costs**

The Company incurred freight out costs, which are primarily included in the Company's cost of sales – wholesale and online. Freight in costs, when attached to a specific purchase, are included as a component of the cost of the purchased goods and materials items and allocated to accounts in accordance with the nature of the goods. When the freight in costs are not allocable to an individual purchase or are more significant, they are recorded to a freight and shipping account within cost of sales.

#### **General and Administrative Expense**

General and administrative expense includes store-related expense as well as the Company's corporate headquarters' expenses.

#### **Advertising Expense**

Advertising costs are expensed as incurred. Advertising expenses amounted to \$ 10,891 and \$20,425 for the three months ended March 31, 2024 and 2023, respectively, and are recorded under general and administrative expenses in the accompanying condensed consolidated statements of operations.

#### **Pre-opening Costs**

Pre-opening costs for new stores, consist primarily of store and leasehold improvements, and are capitalized and depreciated over the shorter of the useful life of the improvement or the lease term, including renewal periods that are reasonably assured.

#### **Accounts Receivable**

Accounts receivables are stated net of allowance for doubtful accounts. The allowance for doubtful accounts is determined primarily on the basis of past collection experience and general economic conditions. The Company determines terms and conditions for its customers based on volume transacted by the customer, customer creditworthiness and past transaction history. At March 31, 2024 and December 31, 2023, allowance for doubtful accounts were zero, respectively. The Company does not have any off-balance sheet exposure related to its customers.

#### **Inventories**

Inventories consisted primarily of coffee beans, drink products, and supplies which are recorded at cost or at net realizable value.

#### **Property and Equipment**

Property and equipment are recorded at cost. Maintenance and repairs are charged to expense as incurred. Depreciation and amortization are provided using both the straight-line and declining balance methods over the following estimated useful lives:

Furniture and fixtures	5-7 Years
Store construction	Lesser of the lease term or the estimated useful lives of the improvements, generally 6 years
Leasehold improvement	Lesser of the lease term or the estimated useful lives of the improvements, generally 6 years

When assets are retired or disposed of, the cost and accumulated depreciation thereon are removed, and any resulting gains or losses are included in the consolidated statements of operations. Leasehold improvements are amortized using the straight-line method over the estimated life of the asset, not to exceed the length of the lease. Repair and maintenance costs are expensed as incurred.

#### **Operating Leases**

The Company adopted Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"), Topic 842, Leases ("ASC 842") which requires the recognition of the right-of-use assets and relating operating and finance lease liabilities on the balance sheet. Under ASC 842, all leases are required to be recorded on the balance sheet and are classified as either operating leases or finance leases. The lease



classification affects the expense recognition in the income statement. Operating lease charges are recorded entirely in operating expenses. Finance lease charges are split, where amortization of the right-of-use asset is recorded in operating expenses and an implied interest component is recorded in interest expense.

### **Earnings Per Share**

FASB ASC Topic 260, Earnings Per Share, requires a reconciliation of the numerator and denominator of the basic and diluted earnings (loss) per share computations.

Basic earnings (loss) per share are computed by dividing net earnings available to common shareholders by the weighted-average number of common shares outstanding during the period. Diluted earnings (loss) per share is computed similar to basic earnings per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. In periods where losses are reported, the weighted-average number of common stock outstanding excludes common stock equivalents, because their inclusion would be anti-dilutive.

The Company did not have any dilutive, or potentially dilutive, shares outstanding for the three months ended March 31, 2024 and 2023.

### **Long-lived Assets**

In accordance with FASB ASC Topic 360, Property, Plant, and Equipment, the Company reviews for impairment of long-lived assets and certain identifiable intangibles whenever events or circumstances indicate that the carrying amount of assets may not be recoverable. The Company considers the carrying value of assets may not be recoverable based upon our review of the following events or changes in circumstances: the asset's ability to continue to generate income from operations and positive cash flow in future periods; loss of legal ownership or title to the assets; significant changes in our strategic business objectives and utilization of the asset; or significant negative industry or economic trends. An impairment loss would be recognized when estimated future cash flows expected to result from the use of the asset are less than its carrying amount. As of March 31, 2024 and December 31, 2023, the Company was not aware of any events or changes in circumstances that would indicate that the long-lived assets are impaired.

### **Fair Value of Financial Instruments**

The Company records its financial assets and liabilities at fair value, which is defined under the applicable accounting standards as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measure date. The Company uses valuation techniques to measure fair value, maximizing the use of observable outputs and minimizing the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value which are the following:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Inputs include management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. The inputs are unobservable in the market and significant to the instrument's valuation.

As of March 31, 2024 and December 31, 2023, the Company believes that the carrying value of accounts receivable, accounts payable, accrued expenses, and other current assets and liabilities approximate fair value due to the short maturity of these financial instruments. The financial statements do not include any financial instruments at fair value on a recurring or non-recurring basis.

### **Income Taxes**

Income taxes are provided for the tax effects of transactions reported in the financial statements and consisted of taxes currently due and deferred taxes. Deferred taxes are recognized for the differences between the basis of assets and liabilities for financial statement and income tax purposes.

The Company follows FASB ASC Topic 740, Income Taxes, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each period end based on enacted tax laws and statutory tax rates, applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. ASC 740-10-25 provides criteria for the recognition, measurement, presentation and disclosure of uncertain tax position. The Company must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. The Company did not recognize additional liabilities for uncertain tax positions pursuant to ASC 740-10-25 for the three months ended March 31, 2024 and 2023.

### **Concentration of Credit Risk**

Financial instruments that potentially subject the Company to concentrations of credit risk are accounts receivable arising from its normal business activities. The Company performs ongoing credit evaluations to its customers and establishes allowances when appropriate.

Company purchases from various vendors for its operations. For the three months ended March 31, 2024 and 2023, no purchases from any vendors accounted for a significant amount of the Company's bean coffee purchases.



### Related Parties

Related parties are any entities or individuals that, through employment, ownership, or other means, possess the ability to direct or cause the direction of management and policies of the Company.

### Recent Accounting Pronouncement

The Company has reviewed all recently issued, but not yet effective, accounting pronouncements and does not believe the future adoption of any such pronouncements may be expected to cause a material impact on our financial statements.

### 3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	March 31, 2024	December 31, 2023
Furniture and equipment	\$ 3,129,174	\$ 2,552,021
Leasehold improvement	1,022,516	1,037,277
Store	876,479	663,651
Store construction	459,350	361,575
Vehicle	103,645	103,645
Total property and equipment	5,591,164	4,718,169
Less accumulated depreciation	(1,173,462)	(1,224,119)
<b>Total property and equipment, net</b>	<b>\$ 4,417,702</b>	<b>\$ 3,494,050</b>

Depreciation expense on property and equipment amounted to approximately \$ 63,330 and \$56,097 for the three months ended March 31, 2024 and 2023, respectively.

### 4. LOANS PAYABLE TO FINANCIAL INSTITUTIONS

Loans payable to financial institutions consisted of the following:

As of	March 31, 2024	December 31, 2023
Loan agreements with principal amount of \$960,777 and repayment rate of 14.75% to 20.0%. The loans payable mature on various dates in 2025	1,065,115	1,005,442
Loan agreement with principal amount of \$140,954 with an interest rate of 30.0% per annum with a maturity date on May 31, 2024	-	121,058
Total loan payable	1,065,115	1,126,499
Less: current portion	(729,968)	(791,352)
<b>Total loan payable, net of current</b>	<b>\$ 335,147</b>	<b>\$ 335,147</b>

### 5. LOAN PAYABLE TO OTHER

Loans payable to others consisted of the following:

As of	March 31, 2024	December 31, 2023
Loan agreement with principal amount of \$300,000 with a monthly interest of \$9,000. The loan payable matures in May 2024	\$ 300,000	\$ 300,000
Loan agreement with principal amount 309,027 with interest at 12%. The loan payable is due upon demand.	309,027	309,027
Loan agreement with principal amount of \$100,000 with no interest. The loan payable matures in May 2024	100,000	-
Total loan payable	709,027	609,027
Less: current portion	(709,027)	(609,027)
<b>Total loan payable, net of current</b>	<b>\$ -</b>	<b>\$ -</b>

#### December 2023 – \$300,000 from a private party

On December 27, 2023, the Company entered into a short-term borrowing agreement with a private party for a principal amount of \$ 300,000 with a monthly interest of \$9,000. The loan payable matures on May 30, 2024.

#### December 2023 – \$309,027 from Prime Capital

The Company time to time borrows from a lender, Prime Capital, as a short-term loan with interest at 12%. The loan is due upon demand.

#### December 2023 – \$100,000 from a private party

On December 27, 2023, the Company entered into a short-term borrowing agreement with a private party for a principal amount of \$ 100,000

with no interest. The loan payable matures on May 30, 2024.

## 6. LOAN PAYABLE, EMERGENCY INJURY DISASTER LOAN (EIDL)

Loans payable, Emergency Injury Disaster Loan (EIDL) consisted of the following:

<i>As of</i>	<i>March 31, 2024</i>	<i>December 31, 2023</i>
May 16, 2020 (\$150,000) - Loan agreement with principal amount of \$150,00 with an interest rate of 3.75% and maturity date on May 16, 2050	\$ 150,000	\$ 150,000
June 28, 2021 (\$350,000) – Loan agreement with principal amount of \$350,000 with an interest rate of 3.75% and maturity date on May 18, 2050	350,000	350,000
Total long-term loan payable, emergency injury disaster loan (EIDL)	500,000	500,000
Less - current portion	(30,060)	(30,060)
<b>Total loan payable, emergency injury disaster loan (EIDL), less current portion</b>	<b>\$ 469,940</b>	<b>\$ 469,940</b>

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The following table provides future minimum payments:

<i>For the years ended December 31,</i>	<i>Amount</i>
2024	\$ 30,060
2025	30,060
2026	30,060
2027	30,060
2028	30,060
Thereafter	349,700
<b>Total</b>	<b>\$ 500,000</b>

### **May 16, 2020 – \$150,000**

On May 16, 2020, the Company executed the standard loan documents required for securing a loan (the “EIDL Loan”) from the SBA under its Economic Injury Disaster Loan (“EIDL”) assistance program in light of the impact of the COVID-19 pandemic on the Company’s business. As of March 31, 2024, the loan payable, Emergency Injury Disaster Loan noted above is not in default.

Pursuant to that certain Loan Authorization and Agreement (the “SBA Loan Agreement”), the Company borrowed an aggregate principal amount of the EIDL Loan of \$150,000, with proceeds to be used for working capital purposes. Interest accrues at the rate of 3.75% per annum and will accrue only on funds actually advanced from the date of each advance. Installment payments, including principal and interest, are due monthly beginning May 16, 2021 (twelve months from the date of the SBA Loan) in the amount of \$731. The balance of principal and interest is payable thirty years from the date of the SBA Loan. In connection therewith, the Company also received a \$10,000 grant, which does not have to be repaid. During the year ended December 31, 2020, \$10,000 was recorded in Economy injury disaster loan (EIDL) grant income in the Statements of Operations. The schedule of payments on this loan was later deferred to commence 24 months from the date of loan, which was May 2022.

In connection therewith, the Company executed (i) a loan for the benefit of the SBA (the “SBA Loan”), which contains customary events of default and (ii) a Security Agreement, granting the SBA a security interest in all tangible and intangible personal property of the Company, which also contains customary events of default (the “SBA Security Agreement”).

### **June 28, 2021 – \$350,000**

On June 28, 2021, the Company executed the standard loan documents required for securing a loan (the “EIDL Loan”) from the SBA under its Economic Injury Disaster Loan (“EIDL”) assistance program in light of the impact of the COVID-19 pandemic on the Company’s business. As of March 31, 2024, the loan payable, Emergency Injury Disaster Loan noted above is not in default.

Pursuant to that certain Amended Loan Authorization and Agreement (the “SBA Loan Agreement”), the Company borrowed an aggregate principal amount of the EIDL Loan of \$500,000, with proceeds to be used for working capital purposes. Interest accrues at the rate of 3.75% per annum and will accrue only on funds actually advanced from the date of each advance. Installment payments, including principal and interest, are due monthly beginning April 16, 2022 (twenty four months from the original date of the SBA Loan) in the amount of \$2,505. The balance of principal and interest is payable thirty years from the original date of the SBA Loan.

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## 7. LOAN PAYABLE, PAYROLL PROTECTION LOAN PROGRAM (PPP)

Loans payable, Payroll Protection Loan Program (PPP) consisted of the following:

<i>As of</i>	<i>March 31, 2024</i>	<i>December 31, 2023</i>
Loan payable from Payroll protection program (PPP)	\$ 85,497	\$ 97,273
Less - current portion	(45,678)	(45,678)
<b>Total loan payable, payroll protection program (PPP), less current portion</b>	<b>\$ 31,819</b>	<b>\$ 51,595</b>

The Paycheck Protection Program Loan (the “PPP Loan”) is administered by the U.S. Small Business Administration (the “SBA”). The interest

rate of the loan is 1.00% per annum and accrues on the unpaid principal balance computed on the basis of the actual number of days elapsed in a year of 360 days. Commencing seven months after the effective date of the PPP Loan, the Company is required to pay the Lender equal monthly payments of principal and interest as required to fully amortize any unforgiven principal balance of the loan by the two-year anniversary of the effective date of the PPP Loan (the "Maturity Date"). The PPP Loan contains customary events of default relating to, among other things, payment defaults, making materially false or misleading representations to the SBA or the Lender, or breaching the terms of the PPP Loan. The occurrence of an event of default may result in the repayment of all amounts outstanding under the PPP Loan, collection of all amounts owing from the Company, or filing suit and obtaining judgment against the Company. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loan granted under the PPP. Such forgiveness will be determined, subject to limitations, based on the use of loan proceeds for payment of payroll costs and any payments of mortgage interest, rent, and utilities. Recent modifications to the PPP by the U.S. Treasury and Congress have extended the time period for loan forgiveness beyond the original eight-week period, making it possible for the Company to apply for forgiveness of its PPP loan.

## 8. INCOME TAX

Total income tax (benefit) expense consists of the following:

<i>For the Three Months Ended March 31,</i>	<i>2024</i>	<i>2023</i>
<b>Current provision (benefit):</b>		
Federal	\$ -	\$ -
State	-	-
<b>Total current provision (benefit)</b>	<b>-</b>	<b>-</b>
<b>Deferred provision (benefit):</b>		
Federal	-	-
State	-	-
<b>Total deferred provision (benefit)</b>	<b>-</b>	<b>-</b>
<b>Total tax provision (benefit)</b>	<b>\$ -</b>	<b>\$ -</b>

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A reconciliation of the Company's effective tax rate to the statutory federal rate for the three months ended March 31, 2024 and 2023 is as follows:

<i>Description</i>	<i>March 31, 2024</i>	<i>March 31, 2023</i>
Statutory federal rate	21.00%	21.00%
State income taxes net of federal income tax benefit and others	6.98%	6.98%
Permanent differences for tax purposes and others	0.00%	0.00%
Change in valuation allowance	-27.98%	-27.98%
<b>Effective tax rate</b>	<b>0%</b>	<b>0%</b>

The income tax benefit differs from the amount computed by applying the U.S. federal statutory tax rate of 21% due to California state income taxes of 8.84% and changes in the valuation allowance.

Deferred income taxes reflect the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The components of deferred tax assets and liabilities are as follows:

<i>Deferred tax assets</i>	<i>March 31, 2024</i>	<i>December 31, 2023</i>
Deferred tax assets:		
Net operating loss	\$ 3,715,106	\$ 3,507,307
Other temporary differences	-	-
<b>Total deferred tax assets</b>	<b>3,715,106</b>	<b>3,507,307</b>
<b>Less - valuation allowance</b>	<b>(3,715,106)</b>	<b>(3,507,307)</b>
<b>Total deferred tax assets, net of valuation allowance</b>	<b>\$ -</b>	<b>\$ -</b>

As of December 31, 2023, the Company had available net operating loss carryovers of approximately \$ 3,507,000. Per the Tax Cuts and Jobs Act (TCJA) implemented in 2018, the two-year carryback provision was removed and now allows for an indefinite carryforward period. The carryforwards are limited to 80% of each subsequent year's net income. As a result, net operating loss may be applied against future taxable income and expires at various dates subject to certain limitations. The Company has a deferred tax asset arising substantially from the benefits of such net operating loss deduction and has recorded a valuation allowance for the full amount of this deferred tax asset since it is more likely than not that some or all of the deferred tax asset may not be realized.

The Company files income tax returns in the U.S. federal jurisdiction and California and is subject to income tax examinations by federal tax authorities for tax year ended 2018 and later and subject to California authorities for tax year ended 2017 and later. The Company currently is not under examination by any tax authority. The Company's policy is to record interest and penalties on uncertain tax positions as income tax expense. As of March 31, 2024 and December 31, 2023, the Company has no accrued interest or penalties related to uncertain tax positions.

As of March 31, 2024, the Company had cumulative net operating loss carryforwards for federal tax purposes of approximately \$ 3,715,000. In addition, the Company had state tax net operating loss carryforwards of approximately \$3,715,000. The carryforwards may be applied against future taxable income and expires at various dates subject to certain limitations.

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## 9. COMMITMENTS AND CONTINGENCIES

### Operating Leases

The Company has entered into the following operating facility leases:

**Brea (Corporate office 1)** - On September 1, 2018, the Company entered into an operating facility lease for its corporate office located in Brea, California with a term of 72 months and an option to extend. The lease started on September 2018 and expires in August 2024.

**Brea (Corporate office 2)** - On June 28, 2023, the Company entered into an operating facility lease for its corporate office located in Brea, California with term of 60 months and an option to extend. The lease started on July 2023 and expires in June 2029.

**La Floresta** - On July 25, 2016, the Company entered into an operating facility lease for its store located at La Floresta Shopping Village in Brea, California with a term of 60 months and an option to extend. The lease started in July 2016 and expiration date was extended to November 2024.

**La Crescenta** - On May 2017, the Company entered into an operating facility lease for its store located in La Crescenta, California with 120 months term with option to extend. The lease started on May 2017 and expires in May 2027. The Company entered into non-cancellable lease agreement for a coffee shop approximately 1,607 square feet located in La Crescenta, California commencing in May 2017 and expiring in April 2027. The monthly lease payment under the lease agreement approximately \$6,026.

**Corona Del Mar** - On January 18, 2023, the Company renewed its retail store in Corona Del Mar, California. As part of that lease renewal, the Company renewed the original operating lease with 60 months term with an option to extend. The lease expires in January 2028. The monthly lease payment under the renewed lease agreement is approximately \$5,001.

**Laguna Woods** - On February 12, 2021, the Company entered into an operating facility lease for its store located at Home Depot Center in Laguna Woods, California with a term of 60 months and an option to extend. The lease started in June 2021 and expires in May 2026.

**Manhattan Village** - On March 1, 2022, the Company entered into an operating facility lease for its store located at Manhattan Beach, California with 60 months term with option to extend. The lease started in March 2022 and expires in February 2027.

**Huntington Beach** - On October 7, 2022, the Company entered into an operating facility lease for its store located at Huntington Beach, California with a 124 months term with option to extend. The lease started in November 2021 and expires in February 2032.

**Riverside** - On February 4, 2021, the Company entered into an operating facility lease for its store located at Galleria at Tyler in Riverside, California with a term of 84 months and an option to extend. The lease started in April 2021 and expires in March 2028.

**San Francisco** - On December 22, 2020, the Company entered into an operating facility lease for its store located at Stonestown Galleria in San Francisco, California with a term of 84 months with an option to extend. The lease started in June 2021 and expires in April 2028.

**Intersect in Irvine** - On October 1, 2022 the Company entered into a percentage base lease agreement for the store located in Irvine, California with 9 months term with option to extend. The lease started in October 2022 and expires on December 31, 2023 with an execution of extension. The rate to be used is 10% and it's based on monthly gross sales.

**Diamond Bar** - On March 20, 2023, the Company entered into an operating facility lease for its store located at Diamond Bar, California which matures on March 31, 2027. The monthly lease payment under the lease agreement is approximately \$5,900.

**Anaheim** - On March 3, 2023, the Company entered into an operating facility lease for its store located at Anaheim, California with 120 months term with option to extend. The lease started in March 2023 and expires in February 2033.

Operating lease right-of-use ("ROU") assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Generally, the implicit rate of interest in arrangements is not readily determinable and the Company utilizes its incremental borrowing rate in determining the present value of lease payments. The Company's incremental borrowing rate is a hypothetical rate based on its understanding of what its credit rating would be. The operating lease ROU asset includes any lease payments made and excludes lease incentives. Our variable lease payments primarily consist of maintenance and other operating expenses from our real estate leases. Variable lease payments are excluded from the ROU assets and lease liabilities and are recognized in the period in which the obligation for those payments is incurred. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

The Company has lease agreements with lease and non-lease components. The Company has elected to account for these lease and non-lease components as a single lease component.

In accordance with ASC 842, the components of lease expense were as follows:

For the three-month period ended March 31,	2024	2023
Operating lease expense	\$ 331,489	\$ 205,525
Total lease expense	\$ 331,489	\$ 205,525

In accordance with ASC 842, other information related to leases was as follows:

For the three-month period ended March 31,	2024	2023
Operating cash flows from operating leases	\$ 331,946	\$ 212,414
Cash paid for amounts included in the measurement of lease liabilities	\$ 331,946	\$ 212,414

Weighted-average remaining lease term—operating leases

5.3 Years

Weighted-average discount rate—operating leases	10.6%
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In accordance with ASC 842, maturities of operating lease liabilities as of March 31, 2024 were as follows:

<i>For the years ended December 31,</i>	<i>Operating Lease</i>
2024 (remaining nine months)	\$ 945,230
2025	1,143,371
2026	1,082,859
2027	734,407
2028	410,673
Thereafter	1,564,293
Total undiscounted cash flows	<u>\$ 5,880,832</u>
Reconciliation of lease liabilities:	
Weighted-average remaining lease terms	5.8 Years
Weighted-average discount rate	10.7%
Present values	<u>\$ 4,187,900</u>
Lease liabilities—current	975,013
Lease liabilities—long-term	3,536,804
Lease liabilities—total	<u>\$ 4,511,817</u>
Difference between undiscounted and discounted cash flows	<u>\$ 1,369,015</u>

### **Contingencies**

The Company is subject to various legal proceedings from time to time as part of its business. As of March 31, 2024, the Company was not currently party to any legal proceedings or threatened legal proceedings, the adverse outcome of which, individually or in the aggregate, it believes would have a material adverse effect on its business, financial condition, and results of operations.

## **10. SHAREHOLDERS' EQUITY**

### **Common Stock**

The Company has authorization to issue and have outstanding at any one time 40,000,000 share of common stock with a par value of \$ 0.0001 per share. The shareholders of common stock are entitled to one vote per share and dividends declared by the Company's Board of Directors.

### **Preferred Stock**

The Company has authorization to issue and have outstanding at any one time 1,000,000 share of preferred stock with a par value of \$ 0.0001 per share, in one or more classes or series within a class as may be determined by our board of directors, who establish, from time to time, the number of shares to be included in each class or series, fix the designation, powers, preferences and rights of the shares of each such class or series and any qualifications, limitations or restrictions thereof. Any preferred stock so issued is senior to other existing classes of common stock with respect to the payment of dividends or amounts upon liquidation or dissolution. As of March 31, 2024 and December 31, 2023, no shares of our preferred stock had been designated any rights and we had no shares of preferred stock issued and outstanding.

### **Initial Public Offering**

In August 2022, the Company consummated its IPO of 1,440,000 shares of its common stock at a public offering price of \$ 5.00 per share, generating gross proceeds of \$7,200,000. Net proceeds from the IPO were approximately \$ 6.2 million after deducting underwriting discounts and commissions and other offering expenses of approximately \$998,000.

The Company granted the underwriters a 45-day option to purchase up to 216,000 additional shares (equal to 15% of the shares of common stock sold in the offering) to cover over-allotments. In addition, the Company had agreed to issue to the representative of the several underwriters warrants to purchase the number of shares of common stock in the aggregate equal to five percent (5%) of the shares of common stock to be issued and sold in the IPO. The warrants are exercisable for a price per share equal to 125% of the public offering price. No over-allotment option or representative's warrants have been exercised.

### **Dividend policy**

Dividends are paid at the discretion of the Board of Directors. There were no dividends declared for the three months ended March 31, 2024 and 2023.

## **11. EARNINGS PER SHARE**

The Company calculates earnings per share in accordance with FASB ASC 260, Earnings Per Share, which requires a dual presentation of basic and diluted earnings per share. Basic earnings per share are computed using the weighted average number of shares outstanding during the fiscal year. Potentially dilutive common shares consist of stock options outstanding (using the treasury method).

The following table sets forth the computation of basic and diluted net income per common share:

**Three-Month Period  
Ended March 31,**

	2024	2023
Net Loss	\$ (990,544)	\$ (964,164)
Weighted Average Shares of Common Stock Outstanding		
Basic	1,653,826	1,521,628
Diluted	1,653,826	1,521,628
Earnings Per Share – Basic		
Net Loss Per Share	(0.60)	(0.63)
Earnings Per Share – Diluted		
Net Loss Per Share	(0.60)	(0.63)

## 12. SUBSEQUENT EVENTS

The Company evaluated all events or transactions that occurred after March 31, 2024 up through the date the consolidated financial statements were available to be issued. Based upon the evaluation, except as disclosed below or within the footnotes, the Company did not identify any recognized or non-recognized subsequent events that would have required adjustment or disclosure in the consolidated financial statements as of and for the year ended March 31, 2024 except as follows:

- On May 3, 2024, the Securities and Exchange Commission (the “SEC”) entered an order instituting settled administrative and cease-and-desist proceedings against BF Borgers CPA PC (“Borgers”) and its sole audit partner, Benjamin F. Borgers CPA, permanently barring Mr. Borgers and Borgers (collectively, “BF Borgers”) from appearing or practicing before the SEC as an accountant (the “Order”).

On May 7, 2024, in light of the Order, the Company dismissed BF Borgers CPA PC (“BF Borgers”) as its independent registered public accounting firm. The decision to dismiss BF Borgers as independent registered public accounting firm was made with the recommendation and approval of the Audit Committee of the Board of Directors of the Company.

On May 14, 2024, the Audit Committee approved the engagement of BCRG Group (“BCRG”) as the Company’s new independent registered public accounting firm. During the Company’s two most recent fiscal years and the subsequent interim period through May 14, 2024, neither the Company nor anyone on its behalf consulted with BCRG regarding (i) the application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on the Company’s financial statements, and neither a written report nor oral advice was provided that BCRG concluded was an important factor considered by the Company in reaching a decision as to the accounting, auditing or financial reporting issue; or (ii) any matter that was either the subject of a disagreement (as defined in Item 304(a)(1)(iv) of Regulation S-K and its related instructions) or a reportable event (as described in Item 304(a)(1)(v) of Regulation S-K).

- On May 20, 2024, the Company issued a convertible promissory note (the “Promissory Note”) in the original principal amount of \$ 800,000 and related warrant (the “Warrant”) to purchase 175,000 shares (the “Warrant Shares”) of the Company’s common stock, par value per share \$0.0001 (“Common Stock”), to EF HUTTON YA FUND, LP (the “Holder”), a fund managed by Yorkville Advisors Global, LLC. The Holder paid a purchase price of \$720,000 to the Company for the Promissory Note and the Warrant, less a \$36,000 financial advisory fee paid to EF Hutton LLC on behalf of the Company.
- In end of May 2024, the Company closed a store located in San Francisco, California.

## Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

You should read the following discussion and analysis of our financial condition and results of operations together with our condensed consolidated financial statements and the related notes and other financial information included elsewhere in this Quarterly Report on Form 10-Q and with our audited consolidated financial statements included in our Annual Report on Form 10-K/A for the year ending December 31, 2023. As discussed in the section titled “Note Regarding Forward-Looking Statements,” the following discussion and analysis contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those identified below and those discussed in the section titled “Risk Factors” in our Annual Report on Form 10-K/A for the year ending December 31, 2023.

### Business

Reborn is focused on serving high quality, specialty-roasted coffee at retail locations, kiosks and cafes. We are an innovative company that strives for constant improvement in the coffee experience through exploration of new technology and premier service, guided by traditional brewing techniques. We believe Reborn differentiates itself from other coffee roasters through its innovative techniques, including sourcing, washing, roasting, and brewing our coffee beans with a balance of precision and craft.

Founded in 2015 by Jay Kim, our Chief Executive Officer, Mr. Kim and his team launched Reborn with the vision of using the finest pure ingredients and pristine water. We currently serve customers through our retail store locations in California: Brea, La Crescenta, Corona Del Mar, Laguna Woods, Manhattan Beach, Huntington Beach, Riverside, San Francisco, Irvine, Diamond Bar and Anaheim.

Reborn continues to elevate the high-end coffee experience and we received first place traditional still in “America’s Best Cold Brew” competition by Coffee Fest in 2017 in Portland and 2018 in Los Angeles.

### The Experience, Reborn

We believe that we are the leading pioneers of the emerging “Fourth Wave” movement and that our business is redefining specialty coffee as an experience that demands much more than premium quality. We consider ourselves leaders of the “fourth wave” coffee movement because we are constantly developing our bean processing methods, researching design concepts, and reinventing new ways of drinking coffee. For instance, the current transition from the K-Cup trend to the pour over drip concept allowed us to reinvent the way people consume coffee, by merging convenience and quality. We took the pour over drip concept and made it available and affordable to the public through our Reborn Coffee Pour Over packs. Our Pour Over Packs allow our consumers to consume our specialty coffee outdoors and on-the-go.

Our success in innovating within the “Fourth Wave” coffee movement is measured by our success in B2B sales with our introduction of Reborn Coffee Pour Over Packs to hotels. With the introduction of our Pour Over Packs to major hotels (including one hotel company with 7 locations), our B2B sales increased as these companies recognized the convenience and functionality our Pour Over Packs serve to their customers.

Our continuous Research and Development is essential to developing new parameters in the production of new blends. Our first place position in "America's Best Cold Brew" competition by Coffee Fest in 2017 in Portland and 2018 in Los Angeles is a testament to the way we believe we lead the "Fourth Wave" movement by example.

Centered around its core values of service, trust, and well-being, we deliver an appreciation of coffee as both a science and an art. Developing innovative processes such as washing green coffee beans with magnetized water, we challenge traditional preparation methods by focusing on the relationship between water chemistry, health, and flavor profile. Leading research studies, testing brewing equipment, and refining roasting/brewing methods to a specific, we proactively distinguish exceptional quality from good quality by starting at the foundation and paying attention to the details. Our mission places an equal emphasis on humanizing the coffee experience, delivering a fresh take on "farm-to-table" by sourcing internationally. In this way, we create opportunities to develop transparency by paying homage to origin stories and spark new conversations by building cross-cultural communities united by a passion for the finest coffee.

Through a broad product offering, Reborn provides customers with a wide variety of beverages and coffee options. As a result, we believe we can capture share of any experience where customers seek to consume great beverages whether in our inviting store atmospheres which are designed for comfort, or on the go through our pour over packs, or at home with our whole bean ground coffee bags. We believe that the retail coffee market in the US is large and growing. According to IBIS, in 2021, the retail market for coffee in the United States is expected to be \$46.2 billion. This is expected to grow due to a shift in consumer preferences to premium coffee, including specialized blends, espresso-based beverages, and cold brew options. Reborn aims to capture a growing portion of the market as we expand and increase consumer awareness of our brand.

### Plan of Operation

We have a production and distribution center at our headquarters that we use to process and roast coffee for wholesale and retail distribution.

Currently, we have the following eleven retail coffee locations:

- La Floresta Shopping Village in Brea, California;
- La Crescenta, California;
- Corona Del Mar, California;
- Home Depot Center in Laguna Woods, California;
- Manhattan Village at Manhattan Beach, California.
- Huntington Beach, California;
- Galleria at Tyler in Riverside, California;
- Stonestown Galleria in San Francisco, California (open as of March 31, 2024 but closed in May 2024);
- Intersect in Irvine, California;
- Diamond Bar, California; and
- Anaheim, California
- Daejeon, Korea
- Kuala Lumpur, Malaysia

## Critical Accounting Policies and Significant Judgments and Estimates

### Revenue

The Company recognizes revenue in accordance with ASC 606, Revenue from Contracts with Customers. The Company's net revenue primarily consists of revenues from its retail locations and wholesale and online store. Accordingly, the Company recognizes revenue as follows:

- **Retail Store Revenue**

Retail store revenues are recognized when payment is tendered at the point of sale. Retail store revenues are reported net of sales, use or other transaction taxes that are collected from customers and remitted to taxing authorities. Sales taxes that are payable are recorded as accrued as other current liabilities. Retail store revenue makes up approximately 97% of the Company's total revenue.

- **Wholesale and Online Revenue**

Wholesale and online revenues are recognized when the products are delivered, and title passes to the customers or to the wholesale distributors. When customers pick up products at the Company's warehouse, or distributed to the wholesale distributors, the title passes, and revenue is recognized. Wholesale revenues make up approximately 3% of the Company's total revenue.

- **Royalties and Other Fees**

Franchise revenues consist of royalty fees and other franchise fees. Royalty fees are based on a percentage of a franchisee's weekly gross sales revenue at 5%. The Company recognizes the fee as the underlying sales occur. The Company did not have any revenue from royalties or other fees for the three months ended March 31, 2024 and 2023.



## Long-lived Assets

In accordance with FASB ASC Topic 360, Property, Plant, and Equipment, the Company reviews for impairment of long-lived assets and certain identifiable intangibles whenever events or circumstances indicate that the carrying amount of assets may not be recoverable. The Company considers the carrying value of assets may not be recoverable based upon our review of the following events or changes in circumstances: the asset's ability to continue to generate income from operations and positive cash flow in future periods; loss of legal ownership or title to the assets; significant changes in our strategic business objectives and utilization of the asset; or significant negative industry or economic trends. An impairment loss would be recognized when estimated future cash flows expected to result from the use of the asset are less than its carrying amount. As of March 31, 2024 and December 31, 2023, the Company was not aware of any events or changes in circumstances that would indicate that the long-lived assets are impaired.

## Results of Operations

### Three months ended March 31, 2024 compared to three months ended March 31, 2023

The following table presents selected comparative results of operations from our unaudited financial statements for the three months ended March 31, 2024 compared to three months ended March 31, 2023. Our financial results for these periods are not necessarily indicative of the financial results that we will achieve in future periods. Certain totals for the table below may not sum to 100% due to rounding.

	Three Months Ended March 31,		Increase / (Decrease)	
	2024	2023	Dollars	Percentage
Net revenues:				
Stores	\$ 1,471,654	\$ 1,109,051	\$ 362,603	32.7%
Wholesale and online	46,408	13,270	33,138	249.7%
Total net revenues	1,518,062	1,122,321	395,741	35.2%
Operating costs and expenses:				
Product, food and drink costs—stores	361,043	363,819	(2,776)	0.0%
Cost of sales—wholesale and online	20,327	5,812	14,515	249.7%
General and administrative	2,000,265	1,704,651	295,614	17.3%
Loss from operations	(863,572)	(951,961)	89,389	-9.4%
Other income	7,809	-	7,809	100.0%
Interest expense	(134,781)	(12,203)	122,578	1,004.5%
Loss before income taxes	(990,544)	(964,164)	(26,380)	2.7%
Provision for income taxes	-	-	-	0.0%
Net loss	\$ (990,544)	\$ (964,164)	\$ (26,380)	2.7%

**Revenues.** Revenues were approximately \$1.5 million for the three-month period ended March 31, 2024, compared to \$1.1 million for the comparable period in 2023, representing an increase of approximately \$363,000, or 32.7%. The increase in sales for the period was primarily driven by the opening of new locations, and to the continued focus on marketing efforts to grow brand recognition.

**Product, food and drink costs.** Product, food and drink costs were approximately \$361,000 for the three-month period ended March 31, 2024 compared to \$364,000 for the comparable period in the prior year.

**Gross margin.** Gross margin was approximately \$1,157,000 for the three-month period ended March 31, 2024, compared to \$759,000 for the comparable period in 2023, representing an increase of approximately \$398,000, or 52.4%. The increase in gross margin for the period was primarily driven by increase in sales.

**General and administrative expenses.** General and administrative expenses were approximately \$2.0 million for the three-month period ended March 31, 2024 compared to \$1.7 million for the comparable period in 2023, representing an increase of approximately \$269,000, or 17.3%.

This increase in general and administrative expenses for the three-month period ended March 31, 2024 compared to the comparable period in the prior year was primarily due to the hiring of additional administrative employees, increases in professional services and corporate-level costs to support growth plans, the opening of new restaurants, as well as costs associated with outside administrative, legal and professional fees and other general corporate expenses for a public company.

## Liquidity and Capital Resources

We have a history of operating losses and negative cash flow in operating activities. We have incurred recurring net losses, including net losses from operations before income taxes of \$991,000 and \$964,000 for the three months ended March 31, 2024 and 2023, respectively. We used \$1.9 million and \$1.7 million of cash for operating activities for the three months ended March 31, 2024 and 2023, respectively.

Our cash needs will depend on numerous factors, including our revenues, completion of our product development activities, customer and market acceptance of our product, and our ability to reduce and control costs. We expect to devote substantial capital resources to, among other things, fund operations and continue development plans.

In August 2022, we consummated our IPO of 1,440,000 shares of its common stock at a public offering price of \$5.00 per share, generating gross proceeds of \$7,200,000. Net proceeds from the IPO were approximately \$6.2 million after deducting underwriting discounts and commissions and other offering expenses of approximately \$998,000.

To support our existing and planned business model, we need to raise additional capital to fund our future operations. We have not experienced any difficulty in raising funds through loans, and have not experienced any liquidity problems in settling payables in the normal course of business and repaying loans when they fall due. Successful renewal of our loans, however, is subject to numerous risks and uncertainties. In addition, the increasingly competitive industry conditions under which we operate may negatively impact our results of operations and cash flows. Additional debt financing is

anticipated to fund our operations in the near future. However, there are no current agreements or understandings with regard to the form, time or amount of such financing and there is no assurance that any of this financing can be obtained or that we can continue as a going concern.

	Three Months Ended March 31,	
	2024	2023
<b>Statement of Cash Flow Data:</b>		
Net cash used in operating activities	(1,933,908)	(1,663,307)
Net cash used in investing activities	(986,982)	(470,851)
Net cash provided by (used in) financing activities	2,826,840	(11,776)

#### **Cash Flows Used in Operating Activities**

Net cash used in operating activities during the three-month period ended March 31, 2024 was approximately \$1.9 million, which resulted from net loss of \$991,000, non-cash charges of \$456 for operating lease and \$63,000 for depreciation and net cash outflows of \$1.0 million from changes in operating assets and liabilities.

#### **Cash Flows Used in Investing Activities**

Net cash used in investing activities during the three months ended March 31, 2024 and 2023 was \$987,000 and \$471,000, respectively. These expenditures in each period are primarily related to purchases of property and equipment in connection with current and future location openings and maintaining our existing locations.

#### **Cash Flows Provide by (Used in) Financing Activities**

Net cash provided by financing activities during the three-month period ended March 31, 2024 was \$2.8 million, mostly derived from the proceeds from the issuance of common stocks by \$2.7 million, which was offset by the repayment of loans payable by \$73,000.

As of March 31, 2024, we had total assets of approximately \$10.8 million. Our cash balance as of March 31, 2024 was approximately \$70,000.

#### **Credit Facilities**

##### *Economic Injury Disaster Loan*

On May 16, 2020, we executed the EIDL Loan from the SBA under its EIDL assistance program in light of the impact of the COVID-19 pandemic on our business. As of March 31, 2024, the loan payable, EIDL Loan noted above is not in default.

Pursuant to the SBA Loan Agreement, we borrowed an aggregate principal amount of the EIDL Loan of \$500,000, with proceeds to be used for working capital purposes. Interest accrues at the rate of 3.75% per annum and will accrue only on funds actually advanced from the date of each advance. Installment payments, including principal and interest, are due monthly beginning May 16, 2021 (twelve months from the date of the SBA Loan Agreement) in the amount of \$731. The balance of principal and interest is payable thirty years from the date of the SBA Loan. In connection therewith, we also received a \$10,000 grant, which does not have to be repaid. During the year ended December 31, 2020, \$10,000 was recorded in Economy injury disaster loan (EIDL) grant income in the Statements of Operations. The schedule of payments on this loan was later deferred to commence 24 months from the date of loan and we has paid all payments owed since May 2022.

In connection therewith, we executed (i) a loan for the benefit of the SBA, which contains customary events of default and (ii) a Security Agreement, granting the SBA a security interest in all of our tangible and intangible personal property, which also contains customary events of default (the "SBA Security Agreement").

##### *Paycheck Protection Program Loan*

In May 2020, we secured a loan under the PPP administered by the SBA in the amount of \$115,000. In February 2021, we secured a second loan under this program in the amount of approximately \$167,000. The interest rate of the loan is 1.00% per annum and accrues on the unpaid principal balance computed on the basis of the actual number of days elapsed in a year of 360 days. Commencing seven months after the effective date of each PPP Loan, we are required to pay the Lender equal monthly payments of principal and interest as required to fully amortize any unforgiven principal balance of the loan by the two-year anniversary of the effective date of the loan. The PPP Loan contains customary events of default relating to, among other things, payment defaults, making materially false or misleading representations to the SBA or the Lender, or breaching the terms of the PPP Loan. The occurrence of an event of default may result in the repayment of all amounts outstanding under the PPP Loan, collection of all amounts owing, or filing suit and obtaining judgment against us. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loan granted under the PPP. Such forgiveness will be determined, subject to limitations, based on the use of loan proceeds for payment of payroll costs and any payments of mortgage interest, rent, and utilities. Recent modifications to the PPP by the U.S. Treasury and Congress have extended the time period for loan forgiveness beyond the original eight-week period, making it possible for the Company to apply for forgiveness of its PPP loan. We were granted forgiveness for the initial PPP Loan prior to December 31, 2021 and expects to be granted forgiveness on the remainder subsequently.

#### **Leases**

We currently lease all company-owned retail locations. Operating leases typically contain escalating rentals over the lease term, as well as optional renewal periods. Rent expense for operating leases is recorded on a straight-line basis over the lease term and begins when Reborn has the right to use the property. The difference between rent expense and cash payment is recorded as deferred rent on the accompanying consolidated balance sheets. Pre-opening rent is included in selling, general and administrative expenses on the accompanying consolidated statements of income. Tenant incentives used to fund leasehold improvements are recorded in deferred rent and amortized as reductions to rent expense over the term of the lease.

#### **Off Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements that we are required to disclose pursuant to these regulations. In the ordinary course of business, we enter into operating lease commitments, purchase commitments and other contractual obligations. These transactions are recognized in our financial statements in accordance with GAAP.

### **Critical Accounting Estimates and Policies**

The preparation of financial statements requires management to utilize estimates and make judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. These estimates are based on historical experience and on various other assumptions that management believes to be reasonable under the circumstances. The estimates are evaluated by management on an ongoing basis, and the results of these evaluations form a basis for making decisions about the carrying value of assets and liabilities that are not readily apparent from other sources. Although actual results may differ from these estimates under different assumptions or conditions, management believes that the estimates used in the preparation of our financial statements are reasonable. The critical accounting policies affecting our financial reporting are summarized in Note 2 to the financial statements included elsewhere in this Quarterly Report on Form 10-Q

### **Recent Accounting Pronouncements**

We have determined that all other issued, but not yet effective accounting pronouncements are inapplicable or insignificant to us and once adopted are not expected to have a material impact on our financial position.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

We are a smaller reporting company as defined by 17 C.F.R. 229 (10)(f)(i) and are not required to provide information under this item.

### **Item 4. Controls and Procedures.**

#### **Evaluation of Disclosure Controls and Procedures**

Our management has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of March 31, 2024. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of March 31, 2024, our disclosure controls and procedures were ineffective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act (a) is recorded, processed, summarized and reported within the time periods specified by Securities and Exchange Commission ("SEC") rules and forms and (b) is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding any required disclosure.

Management has identified control deficiencies regarding inadequate accounting resources, the lack of segregation of duties and the need for a stronger internal control environment. Our management believes that these material weaknesses are due to the small size of our accounting staff. The small size of our accounting outsourced staff may prevent adequate controls in the future due to the cost/benefit of such remediation.

To mitigate the current limited resources and limited employees, we rely heavily on direct management oversight of transactions, along with the use of external legal and accounting professionals. As we grow, we expect to increase our number of employees, which will enable us to implement adequate segregation of duties within the internal control framework.

These control deficiencies could result in a misstatement of account balances that would result in a reasonable possibility that a material misstatement to our financial statements may not be prevented or detected on a timely basis. In light of this material weakness, we performed additional analyses and procedures in order to conclude that our financial statements for the quarter ended March 31, 2024, included in this Quarterly Report on Form 10-Q were fairly stated in accordance with GAAP. Accordingly, management believes that despite our material weaknesses, our financial statements for the quarter ended March 31, 2024, are fairly stated, in all material respects, in accordance with GAAP.

#### **Changes in Internal Control Over Financial Reporting**

There were no changes in our internal control over financial reporting during the quarter ended March 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II—OTHER INFORMATION**

### **Item 1. Legal Proceedings.**

In the future, the Company may be subject to various legal proceedings from time to time as part of its business. We are currently not involved in litigation that we believe will have a materially adverse effect on our financial condition or results of operations. As of March 31, 2024, there is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of our company or any of our subsidiaries threatened against or affecting our company, our common stock, any of our subsidiaries or of our company's or our company's subsidiaries' officers or directors in their capacities as such, in which an adverse decision is expected to have a material adverse effect.

### **Item 1A. Risk Factors.**

As a "smaller reporting company" as defined by Item 10 of Regulation S-K, we are not required to provide information required by this item.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

None.

### **Item 3. Defaults Upon Senior Securities**

Not applicable.

#### Item 4. Mine Safety Disclosures

Not applicable.

#### Item 5. Other Information

During the three months ended March 31, 2024, none of our directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted, modified or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement" as such terms are defined under Item 408 of Regulation S-K.

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#### Item 6. Exhibits.

The following exhibits are included herein or incorporated herein by reference:

3.1	<a href="#">Certificate of Incorporation (Delaware), dated July 27, 2022 (incorporated by reference to Exhibit 3.1 to Amendment No. 5 to our Registration Statement on Form S-1 filed on August 2, 2022)</a>
3.2	<a href="#">Bylaws of Registrant (Delaware) (incorporated by reference to Exhibit 3.2 to Amendment No. 5 to our Registration Statement on Form S-1 filed on August 2, 2022)</a>
3.3	<a href="#">Certificate of Amendment to Certificate of Incorporation filed with the Secretary of State of the State of Delaware on January 12, 2024 (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed on January 16, 2024)</a>
4.1	<a href="#">Specimen Common Stock Certificate (Delaware) (incorporated by reference to Exhibit 4.1 to Amendment No. 5 to our Registration Statement on Form S-1 filed on August 2, 2022)</a>
4.2	<a href="#">Form of Representative's Warrant (incorporated by reference to Exhibit 4.5 to Amendment No. 2 to our Registration Statement on Form S-1 filed on April 18, 2022)</a>
10.1	<a href="#">Securities Subscription Agreement by and between the Company and the Investor, dated January 10, 2024 (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on January 16, 2024)</a>
10.2	<a href="#">Pre-Paid Advance Agreement by and between Reborn Coffee, Inc. and EF Hutton YA Fund, LP, dated February 12, 2024 (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on February 12, 2024)</a>
10.3	<a href="#">Standby Equity Purchase Agreement by and between Reborn Coffee, Inc. and YA II PN, Ltd., dated February 12, 2024 (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on February 12, 2024)</a>
10.4	<a href="#">Securities Subscription Agreement by and between the Company and Scott Lee, dated February 29, 2024 (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on February 29, 2024)</a>
31.1*	<a href="#">Certification of Jay Kim pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.2*	<a href="#">Certification of Stephan Kim pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
32.1**	<a href="#">Certification of Jay Kim pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
32.2**	<a href="#">Certification of Stephan Kim pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
101.INS	Inline XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

\* Filed herewith.

\*\* Furnished herewith.

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#### SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Signature	Title	Date
<u>/s/ Jay Kim</u> Jay Kim	Chief Executive Officer (Principal Executive Officer)	July 19, 2024
<u>/s/ Stephan Kim</u> Stephan Kim	Chief Financial Officer (Principal Financial and Accounting Officer)	July 19, 2024

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## CERTIFICATION

## PURSUANT TO RULE 13a-14 AND 15d-14

## UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Jay Kim, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q (this "Report") for the quarterly period ended March 31, 2024 of Reborn Coffee, Inc.;
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and
  - d. Disclosed in this Report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: July 19, 2024

By: /s/ Jay Kim  
Jay Kim  
Chief Executive Officer  
(Principal Executive Officer)

## CERTIFICATION

## PURSUANT TO RULE 13a-14 AND 15d-14

## UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Stephan Kim, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q (this "Report") for the quarterly period ended March 31, 2024 of Reborn Coffee, Inc.;
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and
  - d. Disclosed in this Report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: July 19, 2024

By: /s/ Stephan Kim  
Stephan Kim  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

## CERTIFICATION PURSUANT TO

18 U.S.C. 1350

## (SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

In connection with the Quarterly Report of Reborn Coffee, Inc. (the "Company") on Form 10-Q for the quarterly period ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jay Kim, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 19, 2024

By: /s/ Jay Kim

Jay Kim  
Chief Executive Officer  
(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.



## CERTIFICATION PURSUANT TO

18 U.S.C. 1350

## (SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

In connection with the Quarterly Report of Reborn Coffee, Inc. (the "Company") on Form 10-Q for the quarterly period ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephan Kim, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 19, 2024

By: /s/ Stephan Kim  
Stephan Kim  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.