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

FORM 10-Q

(Mark One)

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

For the quarter ended December 31, 2021

OR

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

For the transition period from ______________ to ______________

Commission file number 001-40391

iPower Inc.

(Exact name of registrant as specified in its charter)

Nevada	**5200**	**82-5144171**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

2399 Bateman Avenue,
Duarte, CA 91010
(626) 863-7344
(Address, including zip code, and telephone number, including area code, of the registrant's principal executive offices)

Title of each class	**Trading Symbol(s)**	**Name of each exchange on which registered**
Common Stock	IPW	The Nasdaq Stock Market LLC

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 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	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☒

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 to Section 7(a)(2)(B) of the Securities Act. ☐

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

The number of shares outstanding of the registrant's common stock on February 14, 2022 was 26,488,682.

iPower Inc.

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PART I. FINANCIAL INFORMATION

Item 1. Unaudited Condensed Consolidated Financial Statements

iPower Inc. and Subsidiaries
Unaudited Condensed Consolidated Balance Sheets
As of December 31, 2021 and June 30, 2021

	December 31 2021 (Unaudited)	June 30, 2021
ASSETS		
Current assets		
Cash and cash equivalent	$ 1,091,758	$ 6,651,705
Accounts receivable, net	15,553,516	7,896,347
Inventories, net	19,908,500	13,065,741
Prepayments and other current assets	6,804,371	4,693,000
Total current assets	43,358,145	32,306,793
Non-current assets		
Right of use assets – non-current	1,473,397	1,819,421
Property and equipment, net	103,189	55,659
Non-current prepayments	1,141,458	1,357,292
Other non-current assets	329,244	99,645
Total non-current assets	3,047,288	3,332,017
Total assets	$ 46,405,433	$ 35,638,810
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	4,545,928	3,940,963
Credit cards payable	550,310	584,311
Customer deposit	228,161	297,407
Other payables and accrued liabilities	4,899,502	2,487,441
Short-term loans payable	–	162,769
Lease liability - current	766,759	731,944
Long-term loan payable - current portion	29,244	29,244
Income taxes payable	374,513	790,823
Total current liabilities	11,394,417	9,024,902
Non-current liabilities		
Long-term loan payable	441,512	458,571
Long-term revolving loan payable, net	6,963,551	–
Lease liability – non-current	777,290	1,169,552
Total non-current liabilities	8,182,353	1,628,123
Total liabilities	19,576,770	10,653,025
Commitments and contingency	–	–
Stockholders' Equity		
Preferred stock, $0.001 par value; 20,000,000 shares authorized; 0 shares issued and outstanding at December 31, and June 30, 2021	–	–
Common stock, $0.001 par value; 180,000,000 shares authorized; 26,488,682 and 26,448,663 shares issued and outstanding at December 31, and June 30, 2021	26,489	26,449
Additional paid in capital	23,371,712	23,214,263
Retained earnings	3,430,462	1,745,073
Total equity	26,828,663	24,985,785
Total liabilities and equity	$ 46,405,433	$ 35,638,810

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

iPower Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Operations
For the Three and Six Months Ended December 31, 2021 and 2020

	For the Three Months Ended December 31,		For the Six Months Ended December 31,	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
REVENUES	$ 17,125,663	$ 11,254,317	$ 34,492,428	$ 26,214,252
TOTAL REVENUES	17,125,663	11,254,317	34,492,428	26,214,252
COST OF REVENUES	9,568,051	6,306,726	19,621,114	15,703,873
GROSS PROFIT	7,557,612	4,947,591	14,871,314	10,510,379
OPERATING EXPENSES:				
Selling and fulfillment	3,641,839	2,784,749	7,307,760	5,998,423
General and administrative	2,780,488	1,309,736	5,137,954	2,582,477
Total operating expenses	6,422,327	4,094,485	12,445,714	8,580,900
INCOME FROM OPERATIONS	1,135,285	853,106	2,425,600	1,929,479
OTHER INCOME (EXPENSE)				
Interest income (expenses)	(75,112)	(23,708)	(75,112)	(49,538)
Other financing expenses	–	(37,447)	(9,000)	(37,447)
Other non-operating income (expense)	60,403	10,455	9,591	17,852
Total other (expenses), net	(14,709)	(50,700)	(74,521)	(69,133)
INCOME BEFORE INCOME TAXES	1,120,576	802,406	2,351,079	1,860,346
PROVISION FOR INCOME TAXES	322,715	226,930	665,690	522,874
NET INCOME	$ 797,861	$ 575,476	$ 1,685,389	$ 1,337,472
WEIGHTED AVERAGE NUMBER OF COMMON STOCK				
Basic	26,491,103	20,204,496	26,487,816	20,204,496
Diluted	26,491,103	20,204,496	26,487,816	20,204,496
EARNINGS PER SHARE				
Basic	$ 0.030	$ 0.028	$ 0.064	$ 0.066
Diluted	$ 0.030	$ 0.028	$ 0.064	$ 0.066

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

iPower Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Changes in Stockholders' Equity
For the Three and Six Months Ended December 31, 2021 and 2020

	Common Stock *		Class B Common Stock *		Subscription	Additional Paid in	Retained	
	Shares	Amount	Shares	Amount	Receivable	Capital	Earnings	Total
Balance, June 30, 2021	26,448,663	$ 26,449	–	$ –	$ –	$ 23,214,263	$ 1,745,073	$ 24,985,785
Net income	–	–	–	–	–	–	887,528	887,528
Restricted stock units vested	–	–	–	–	–	103,054	–	103,054
Balance, September 30, 2021, unaudited	26,448,663	26,449	–	–	–	23,317,317	2,632,601	25,976,367
Net income	–	–	–	–	–	–	797,861	797,861
Restricted shares issued for vested RSUs	40,019	40	–	–	–	(40)	–	–
Restricted stock units vested	–	–	–	–	–	54,435	–	54,435
Balance, December 31, 2021, unaudited	26,488,682	$ 26,489	–	$ –	$ –	$ 23,371,712	$ 3,430,462	$ 26,828,663
Balance, June 30, 2020	20,204,496	$ 20,204	14,000,000	$ 14,000	$ (14,000)	$ 389,490	$ 2,520,822	$ 2,930,516
Net income	–	–	–	–	–	–	761,996	761,996
Balance, September 30, 2020, unaudited	20,204,496	20,204	14,000,000	14,000	(14,000)	389,490	3,282,818	3,692,512
Net income	–	–	–	–	–	–	575,476	575,476
Cash for Class B common stock	–	–	–	–	14,000	–	–	14,000
Balance, December 31, 2020, unaudited	20,204,496	$ 20,204	14,000,000	$ 14,000	$ –	$ 389,490	$ 3,858,294	$ 4,281,988

*On November 16, 2020, the Company implemented a 2-for-1 forward split of the issued and outstanding shares of Class A Common Stock of the Company. Except shares authorized, all references to number of shares, and to per share information in the consolidated and combined financial statements have been retroactively adjusted.

*On October 20, 2020, the Company issued to its Founders 14,000,000 shares of the Company's Class B Common Stock. The issuance was considered as a nominal issuance, in substance a recapitalization transaction, which was recorded and presented retroactively as outstanding for all reporting periods.

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

iPower Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Cash Flows
For the Six Months Ended December 31, 2021 and 2020

	For the Six Months Ended December 31,	
	2021	2020
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 1,685,389	$ 1,337,472
Adjustments to reconcile net income to cash used in operating activities:		
Depreciation expense	8,894	4,869
Inventory reserve	55,958	–
Credit loss reserve	70,000	–
Stock-based compensation expense	157,489	–
Amortization of debt issuance costs	44,203	–
Non-cash operating lease expense	(11,425)	27,567
Preferred stock warrant expense	–	8,047
Change in operating assets and liabilities		
Accounts receivable	(7,727,169)	(416,040)
Inventories	(6,898,717)	(3,003,928)
Prepayments and other current assets	(2,111,371)	(1,522,806)
Non-current prepayments	215,834	–
Other non-current assets	(229,599)	(96,930)
Accounts payable	604,965	1,463,175
Credit cards payable	(34,001)	(48,702)
Customer deposit	(69,246)	(66,658)
Other payables and accrued liabilities	2,412,063	325,024
Income taxes payable	(416,310)	521,843
Net cash used in operating activities	(12,243,043)	(1,467,067)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	(56,424)	(55,751)
Net cash used in investing activities	(56,424)	(55,751)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from related parties	–	157,624
Payments to related parties	–	(120,498)
Proceeds from short-term loans	1,604,292	15,100,625
Payments of financing fees	(796,035)	–
Payments on short-term loans	(1,767,061)	(14,407,495)
Payments on long-term loans	(17,059)	–
Proceeds from long-term loan	7,715,383	–
Shares issued	–	359,000
Net cash provided by financing activities	6,739,520	1,089,256
CHANGES IN CASH	(5,559,947)	(433,562)
CASH AND CASH EQUIVALENT, beginning of year	6,651,705	977,635
CASH AND CASH EQUIVALENT, end of year	$ 1,091,758	$ 544,073
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for income tax	$ 1,082,000	$ –
Cash paid for interest	$ –	$ 49,538
SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS:		
Right of use assets acquired under new operating leases	$ –	$ 2,346,200

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Note 1 - Nature of business and organization

iPower Inc., formerly known as BZRTH Inc., a Nevada corporation (the "Company"), was incorporated on April 11, 2018. The Company is principally engaged in the marketing and sale of advanced indoor and greenhouse lighting, ventilation systems, nutrients, growing media, grow tents, trimming machines, pumps and accessories mainly in the North America.

Effective on March 1, 2020, as amended and restated pursuant to an agreement dated October 26, 2020, the Company entered into an agreement with E Marketing Solution Inc. ("E Marketing"), an entity incorporated in California and owned by one of the shareholders of the Company. Pursuant to the terms of the agreement, the Company agreed to provide technical support, management services and other services on an exclusive basis in relation to E Marketing's business during the term of the agreement. The Company also agreed to fund E Marketing for operational cash flow needs and bear the risk of E Marketing's losses from operations and E Marketing agreed that iPower has rights to E Marketing's net profits, if any. Under the terms of the agreement, the Company may at any time, at its option, acquire for nominal consideration 100% of either the equity of E Marketing or its assets subject to assumption of all of its liabilities. E Marketing was considered a variable interest entity ("VIE"). On May 18, 2021, the Company acquired 100% equity ownership of E Marketing. As a result, E Marketing has become the Company's wholly owned subsidiary.

On September 4, 2020, the Company entered into an agreement with Global Product Marketing Inc. ("GPM"), an entity incorporated in the State of Nevada on September 4, 2020. GPM was then wholly owned by Chenlong Tan, the Chairman, CEO and President and one of the majority shareholders of the Company. Pursuant to the terms of the agreement, the Company was to provide technical support, management services and other services on an exclusive basis in relation to GPM's business during the term of the Agreement. In addition, the Company agreed to fund GPM for operational cash flow needs and bear the risk of GPM's losses from operations and GPM agreed that the Company has the right to GPM's net profits, if any. Under the terms of the agreement, the Company may at any time, at its option, acquire for nominal consideration 100% of either the equity of GPM or its assets subject to assumption of all of its liabilities. GPM was considered a VIE. On May 18, 2021, the Company acquired 100% equity ownership of GPM. As a result, GPM has become the Company's wholly owned subsidiary.

Note 2 – Basis of Presentation and Summary of significant accounting policies

Basis of presentation

The unaudited condensed consolidated financial statements include the accounts of the Company and its subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and the requirements of the U.S. Securities and Exchange Commission ("SEC") for interim reporting. As permitted under those rules, certain footnotes or other financial information that are normally required by U.S. GAAP can be condensed or omitted. These unaudited condensed consolidated financial statements have been prepared on the same basis as its annual consolidated financial statements and, in the opinion of management, reflect all adjustments, consisting only of normal recurring adjustments, which are necessary for the fair statement of the Company's financial information. These interim results are not necessarily indicative of the results to be expected for the fiscal year ending June 30, 2022, or for any other interim period or for any other future year. All intercompany balances and transactions have been eliminated in consolidation.

These unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and the notes thereto included in the Annual Report for the year ended June 30, 2021, which are included in Form 10-K filed on September 28, 2021.

Principles of Consolidation

The unaudited condensed consolidated financial statements include the accounts of the Company and its subsidiaries, E Marketing Solution Inc. and Global Product Marketing Inc. All inter-company balances and transactions have been eliminated.

Reclassifications

Certain prior period expense accounts have been reclassified in conformity with current period presentation including reclassification of $1.10 million from general administrative expenses to selling and fulfillment expenses for the six months ended December 31, 2020. The reclassification had no effect to the company's unaudited condensed consolidated statements of operations, statements of cash flow or statements of changes in stockholders' equity.

Use of estimates and assumptions

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. Actual results could differ from these estimates.

Cash and cash equivalents

Cash and cash equivalents consist of amounts held as cash on hand and bank deposits.

From time to time, the Company may maintain bank balances in interest bearing accounts in excess of the $250,000 currently insured by the Federal Deposit Insurance Corporation for interest bearing accounts (there is currently no insurance limit for deposits in noninterest bearing accounts). The Company has not experienced any losses with respect to cash. Management believes our Company is not exposed to any significant credit risk with respect to its cash.

Accounts receivable, net

During the ordinary course of business, the Company extends unsecured credit to its customers. Accounts receivable are stated at the amount the Company expects to collect from customers. Management reviews its accounts receivable balances each reporting period to determine if an allowance for credit loss is required.

In July 2020, the Company adopted ASU 2016-13, Topics 326 - Credit Loss, Measurement of Credit Losses on Financial Instruments, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology, for its accounting standard for its trade accounts receivable.

The Company evaluates the creditworthiness of all of its customers individually before accepting them and continuously monitors the recoverability of accounts receivable. If there are any indicators that a customer may not make payment, the Company may consider making provision for non-collectability for that particular customer. At the same time, the Company may cease further sales or services to such customer. The following are some of the factors that the Company develops allowance for credit losses:

- the customer fails to comply with its payment schedule;
- the customer is in serious financial difficulty;

- a significant dispute with the customer has occurred regarding job progress or other matters;
- the customer breaches any of its contractual obligations;
- the customer appears to be financially distressed due to economic or legal factors;
- the business between the customer and the Company is not active; and
- other objective evidence indicates non-collectability of the accounts receivable.

The adoption of the credit loss accounting standard has no material impact on the Company's consolidated financial statements. Accounts receivable are recognized and carried at carrying amount less an allowance for credit losses, if any. The Company maintains an allowance for credit losses resulting from the inability of its customers to make required payments based on contractual terms. The Company reviews the collectability of its receivables on a regular and ongoing basis. The Company has also included in calculation of allowance for credit losses the potential impact of the COVID-19 pandemic on our customers' businesses and their ability to pay their accounts receivable. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. The Company also considers external factors to the specific customer, including current conditions and forecasts of economic conditions, including the potential impact of the COVID-19 pandemic. In the event we recover amounts previously written off, we will reduce the specific allowance for credit losses.

Fair values of financial instruments

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and all other current assets and liabilities approximate fair values due to their short-term nature.

For other financial instruments to be reported at fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines the fair value of its financial instruments based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

Level 1 – Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date;

Level 2 – Inputs are observable, unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities 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 related assets or liabilities; and

Level 3 – Unobservable inputs that are significant to the measurement of the fair value of the assets or liabilities that are supported by little or no market data.

Revenue recognition

The Company has adopted Accounting Standards Codification ("ASC") 606 since its inception on April 11, 2018 and recognizes revenue from product sales in the United States, Canada, Europe, and other regions, net of promotional discounts and return allowances, when the following revenue recognition criteria are met: a contract has been identified, separate performance obligations are identified, the transaction price is determined, the transaction price is allocated to separate performance obligations and revenue is recognized upon satisfying each performance obligation. The Company transfers the risk of loss or damage upon shipment, therefore, revenue from product sales is recognized when it is shipped to the customer. Return allowances, which reduce product revenue by the Company's best estimate of expected product returns, are estimated using historical experience.

The Company evaluates the criteria of ASC 606 - Revenue Recognition Principal Agent Considerations in determining whether it is appropriate to record the gross amount of product sales and related costs or the net amount earned as commissions. Generally, when the Company is primarily responsible for fulfilling the promise to provide a specified good or service, the Company is subject to inventory risk before the good or service has been transferred to a customer and the Company has discretion in establishing the price, revenue is recorded at gross.

Payments received prior to the delivery of goods to customers are recorded as customer deposits.

The Company periodically provides incentive offers to its customers to encourage purchases. Such offers include current discount offers, such as percentage discounts off current purchases and other similar offers. Current discount offers, when accepted by the Company's customers, are treated as a reduction to the purchase price of the related transaction.

Sales discounts are recorded in the period in which the related sale is recognized. Sales return allowances are estimated based on historical amounts and are recorded upon recognizing the related sales. Shipping and handling costs are recorded as selling expenses.

Advertising costs

Advertising costs are expensed as incurred. Total advertising and promotional costs included in selling and fulfillment expenses for the three and six months were as following:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2021	2020	2021	2020
Advertising and promotion	$ 578,565	$ 391,907	$ 1,211,981	$ 720,956

Cost of revenue

Cost of revenue mainly consists of costs for purchases of products and related inbound freight and delivery fees.

Inventory, net

Inventory consists of finished goods ready for sale and is stated at the lower of cost or market. The Company values its inventory using the weighted average costing method. The Company's policy is to include as a part of cost of goods sold any freight incurred to ship the product from its vendors to warehouses. Outbound freight costs related to shipping costs to customers are considered periodic costs and are reflected in selling and fulfillment expenses. The Company regularly reviews inventory and considers forecasts of future demand, market conditions and product obsolescence.

If the estimated realizable value of the inventory is less than cost, the Company makes provisions in order to reduce its carrying value to its estimated market value. The Company also reviews inventory for slow moving inventory and obsolescence and records allowance for obsolescence.

Segment reporting

The Company follows ASC 280, Segment Reporting. The Company's chief operating decision maker, the Chief Executive Officer, reviews the consolidated results of operations when making decisions about allocating resources and assessing the performance of the Company as a whole and, hence, the Company has only one reportable segment. The Company does not distinguish between markets or segments for the purpose of internal reporting. For the six months ended December 31, 2021, sales through Amazon to Canada had increased to approximately 14% of the Company's total sales. The Company's long-lived assets are all located in California, United States, and majority of the Company's revenues are derived from within the United States. Therefore, no geographical segments are presented.

Leases

On its inception date, April 11, 2018, the Company adopted ASC 842 – Leases (“ASC 842”), which requires lessees to record right-of-use (“ROU”) assets and related lease obligations on the balance sheet, as well as disclose key information regarding leasing arrangements.

ROU assets represent our right to use an underlying asset for the lease terms and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the Company’s leases do not provide an implicit rate, the Company generally uses its incremental borrowing rate based on the estimated rate of interest for collateralized borrowing over a similar term of the lease payments at commencement date. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Stock-based Compensation

The Company applies ASC No. 718, “Compensation-Stock Compensation,” which requires that share-based payment transactions with employees and nonemployees upon adoption of ASU 2018-07, be measured based on the grant date fair value of the equity instrument and recognized as compensation expense over the requisite service period, with a corresponding addition to equity. Under this method, compensation cost related to employee share options or similar equity instruments is measured at the grant date based on the fair value of the award and is recognized over the period during which an employee is required to provide service in exchange for the award, which generally is the vesting period.

The Company will recognize forfeitures of such equity-based compensation as they occur.

Income taxes

The Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their perspective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are recorded, when necessary, to reduce deferred tax assets to the amount expected to be realized.

As a result of the implementation of certain provisions of ASC 740, Income Taxes (“ASC 740”), which clarifies the accounting and disclosure for uncertainty in tax position, as defined, ASC 740 seeks to reduce the diversity in practice associated with certain aspects of the recognition and measurement related to accounting for income taxes. The Company has adopted the provisions of ASC 740 since inception, April 11, 2018, and has analyzed filing positions in each of the federal and state jurisdictions where the Company is required to file income tax returns, as well as open tax years in such jurisdictions. The Company has identified the U.S. federal jurisdiction, and the states of Nevada and California, as its “major” tax jurisdictions. However, the Company has certain tax attribute carryforwards which will remain subject to review and adjustment by the relevant tax authorities until the statute of limitations closes with respect to the year in which such attributes are utilized.

The Company believes that our income tax filing positions and deductions will be sustained upon audit and do not anticipate any adjustments that will result in a material change to its financial position. Therefore, no reserves for uncertain income tax positions have been recorded pursuant to ASC 740. The Company’s policy for recording interest and penalties associated with income-based tax audits is to record such items as a component of income taxes.

Commitments and contingencies

In the ordinary course of business, the Company is subject to certain contingencies, including legal proceedings and claims arising out of the business that relate to a wide range of matters, such as government investigations and tax matters. The Company recognizes a liability for such contingency if it determines it is probable that a loss has occurred and a reasonable estimate of the loss can be made. The Company may consider many factors in making these assessments including historical and specific facts and circumstances of each matter.

Earnings per share

Basic earnings per share are computed by dividing net income attributable to holders of common stock by the weighted average number of shares of common stock outstanding during the year. Diluted earnings per share reflect the potential dilution that could occur if securities to issue common stock were exercised.

Recently issued accounting pronouncements

In August 2020, the FASB issued ASU 2020-06, "Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40)." This ASU reduces the number of accounting models for convertible debt instruments and convertible preferred stock, as well as amends the guidance for the derivatives scope exception for contracts in an entity's own equity for purposes of reducing form-over-substance-based accounting conclusions. In addition, this ASU improves and amends the related EPS guidance. This standard becomes effective for the Company on July 1, 2022, including interim periods within those fiscal years. Adoption is either a modified retrospective method or a fully retrospective method of transition. The Company does not expect the adoption of this standard have a material impact on the consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740) – Simplifying the Accounting for Income Taxes. The update is intended to simplify the current rules regarding the accounting for income taxes and addresses several technical topics including accounting for franchise taxes, allocating income taxes between a loss in continuing operations and in other categories such as discontinued operations, reporting income taxes for legal entities that are not subject to income taxes, and interim accounting for enacted changes in tax laws. The new standard is effective for fiscal years beginning after December 15, 2020; however, early adoption is permitted. Adoption of this standard did not have a material impact on the consolidated financial statements.

The Company does not believe other recently issued but not yet effective accounting standards, if currently adopted, would have a material effect on the consolidated financial position, statements of operations and cash flows.

Subsequent events

The Company evaluated subsequent events and transactions that occurred after the balance sheet date through the date that the consolidated financial statements are available to be issued. Material subsequent events that required recognition or additional disclosure in the consolidated financial statements are presented.

Note 3 - Accounts receivable, net

Accounts receivable, net for the Company consisted of the following as of the dates indicated below:

	December 31, 2021	June 30, 2021
Accounts receivable	$ 15,623,516	$ 7,896,347
Less: allowance for credit losses	(70,000)	–
Total accounts receivable, net	$ 15,553,516	$ 7,896,347

There was $70,000 allowance for credit loss for the three and six months ended December 31, 2021 and $0 recorded for the year ended June 30, 2021, respectively.

Note 4 – Inventories, net

As of December 31, 2021 and June 30, 2021, inventories consisted of finished goods ready for sale, net of allowance for obsolescence, amounted to $19,908,500 and $13,065,741, respectively.

As of December 31, 2021 and June 30, 2021, allowance for obsolescence was $151,532 and $95,574, respectively. There was $55,958 allowance for credit loss for the three and six months ended December 31, 2021.

Note 5 – Prepayments and other current assets

As of December 31, 2021 and June 30, 2021, prepayments and other current assets consisted of the following:

	December 31, 2021	June 30, 2021
Advance to suppliers	$ 5,697,217	$ 3,969,625
Prepaid expenses and other receivables	1,107,154	723,375
Total	$ 6,804,371	$ 4,693,000

Other receivables consisted of delivery fees of $197,416 and $178,581 and receivables from two unrelated parties for their use of the Company's courier accounts at December 31, 2021 and June 30, 2021.

Note 6 – Non-current prepayments

Non-current prepayments included $1.06 million for product sourcing, marketing research and promotion, and other management advisory and consulting services to companies owned by an employee and minority shareholder and by relatives of a minority shareholder of the Company. The terms of these services are from two years to five years. In addition, there was a $84,425 down payment on a four-year car lease. As of December 31, 2021 and June 30, 2021, total non-current prepayments were $1,141,458 and $1,357,292, respectively. For the three and six months ended December 31, 2021, the Company recorded amortization expenses of $107,917 and $215,834, respectively. For the three and six months ended December 31, 2020, the Company recorded amortization expenses of $0.

Note 7 – Loans payable

Short-term loans

Revolving credit facility

On May 3, 2019, the Company entered into an agreement with WFC Fund LLC ("WFC") for a revolving loan of up to $2,000,000. The revolving loan bore interest equal to the prime rate plus 4.25% per annum on the outstanding amount. On May 26, 2020, the Loan and Security Agreement was amended and restated as a Receivable Purchase Agreement (the "Original RPA"). On November 16, 2020, the Original RPA was further amended and restated (the "Restated RPA") to increase the credit limit of the revolving credit facility from $2,000,000 to $3,000,000. The Restated RPA bears a discount rate of 3.055555%, subject to a rebate of 0.0277% per day. This revolving credit facility is secured by all of the Company's assets and guaranteed by Chenlong Tan, the CEO and one of the Company's major shareholders and founders. Pursuant to the agreement, all purchases of accounts receivable are without recourse to the Company, and WFC assumes the risk of nonpayment of the accounts receivable due to a customer's financial inability to pay the accounts receivable or the customer's insolvency but not the risk of non-payment of the accounts receivable for any other reason. The Company is obligated to collect the accounts receivables and to repurchase or pay back the amount drawn down if the accounts receivable are not collected.

During the three months ended September 30, 2021, the Company terminated the Restated RPA and paid off the balance due to WFC.

As of December 31, 2021 and June 30, 2021, the outstanding balance due under the RPA was $0 and $162,769, respectively.

Long-term loan

SBA loan payable

On April 18, 2020, the Company entered into an agreement with the U.S. Small Business Administration ("SBA") for a loan of $500,000 under Section 7(b) of the Small Business Act pursuant to which we issued a promissory note (the "SBA Note") to the SBA. The SBA Note bears interest at the rate of 3.75% per annum and matures 30 years from the date of the SBA Note. Monthly installment payments, including principal and interest, will begin twelve months from the date of the SBA Note. As of December 31, 2021 and June 30, 2021, the outstanding balance of the SBA Note was $470,756 and $487,815, which included a current portion of $29,244 and a non-current portion of $441,512 and $458,571, respectively.

Asset-based revolving loan

On November 12, 2021, the Company entered to a Credit Agreement with JPMorgan Chase Bank, N.A., as administrative agent, issuing bank and swingline lender, for an asset-based revolving loan ("ABL") of up to $25 million with key terms listed as follows:

- Borrowing base equal to the sum of
  - Up to 90% of eligible credit card receivables
  - Up to 85% of eligible trade accounts receivable
  - Up to the lesser of (i) 65% of cost of eligible inventory or (ii) 85% of net orderly liquidation value of eligible inventory
- Interest rates of between LIBOR plus 2% and LIBOR plus 2.25% depending on utilization
- Undrawn fee of between 0.25% and 0.375% depending on utilization
- Maturity Date of November 12, 2024

In addition, the ABL includes an accordion feature that allows the Company to borrow up to an additional $25 million. To secure complete payment and performance of the secured obligations, the Company granted a security interest in all of its right, title and interest in, to and under all of the Company's assets as collateral to the ABL. Upon closing of the ABL, the Company paid $796,035 financing fees including 2% of $25.0 million or $500,000 paid to its financial advisor. The financing fees are recorded as debt discount and to be amortized over three years, the term of the ABL. For the three and six months ended December 31, 2021, the Company recorded $44,203 of amortization of debt discount and $30,909 of interest expense. As of December 31, 2021, the outstanding amount of the long-term revolving loan payable, net of debt discount, was $6,963,551 and the interest payable was $30,909, which is paid monthly.

Note 8 – Related party transactions

On December 1, 2018, the Company acquired certain assets and assumed liabilities from BizRight, LLC, an entity owned and managed by the founders and officers of the Company and the purchase price was recorded as payable due to related parties. During the six months ended December 31, 2020, the Company recorded proceeds of $157,624 and payments of $120,498, respectively. The Company had paid off the amount due to related party during the quarter ended June 30, 2021. The amount due to related parties was $0 as of December 31, 2021 and June 30, 2021.

Note 9 – Income taxes

On December 22, 2017, the President of the United States signed into law H.R.1, formerly known as the Tax Cuts and Jobs Act (the "Tax Legislation"). The Tax Legislation significantly revised the U.S. tax code by (i) lowering the U.S. federal statutory income tax rate from 35% to 21%, (ii) implementing a territorial tax system, (iii) imposing a one-time transition tax on deemed repatriated earnings of foreign subsidiaries, (iv) requiring a current inclusion of global intangible low taxed income of certain earnings of controlled foreign corporations in U.S. federal taxable income, (v) creating the base erosion anti-abuse tax regime, (vi) implementing bonus depreciation that will allow for full expensing of qualified property, and (vii) limiting deductibility of interest and executive compensation expense, among other changes. The Company has computed its tax expenses using the new statutory rate effective on January 1, 2018 of 21%.

Other provisions of the new legislation include, but are not limited to, limiting deductibility of interest and executive compensation expense. These additional items have been considered in the income tax provision for the six months ended December 31, 2021 and 2020 and the impact was not material to the overall financial statements.

The income tax provision for the three and six months ended December 31, 2021 and 2020 consisted of the following:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2021	2020	2021	2020
Current:				
Federal	$ 222,339	$ 155,348	$ 456,968	$ 357,351
States	100,376	71,582	208,722	165,523
Total current income tax provision	322,715	226,930	665,690	522,874
Deferred:				
Federal	–	–	–	–
States	–	–	–	–
Total deferred taxes	–	–	–	–
Total provision for income taxes	$ 322,715	$ 226,930	$ 665,690	$ 522,874

The Company is subject to U.S. federal income tax as well as state income tax in certain jurisdictions. The tax years 2018 to 2020 remain open to examination by the major taxing jurisdictions to which the Company is subject. The following is a reconciliation of income tax expenses at the effective rate to income tax at the calculated statutory rates:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2021	2020	2021	2020
Statutory tax rate				
Federal	21.00%	21.00%	21.00%	21.00%
State	8.84%	8.84%	8.84%	8.84%
Net effect of state income tax deduction and other permanent differences	(1.04%)	(1.56%)	(1.53%)	(1.74%)
Effective tax rate	28.80%	28.28%	28.31%	28.10%

As of December 31, 2021 and June 30, 2021, the income taxes payable was $374,513 and $790,823, respectively.

Note 10 – Earnings per share

The following table sets forth the computation of basic and diluted earnings per share for the periods presented:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2021	2020	2021	2020
Numerator:				
Net Income	$ 797,861	$ 575,476	$ 1,685,389	$ 1,337,472
Denominator:				
Weighted-average shares used in computing basic and diluted earnings per share*				
Basic	26,491,103	20,204,496	26,487,816	20,204,496
Diluted	26,491,103	20,204,496	26,487,816	20,204,496
Earnings per share:				
Basic	$ 0.030	$ 0.028	$ 0.064	$ 0.066
Diluted	$ 0.030	$ 0.028	$ 0.064	$ 0.066

* On November 16, 2020, the Company implemented a 2-for-1 forward split of the issued and outstanding shares of Class A Common Stock of the Company. The computation of basic and diluted EPS was retroactively adjusted for all periods presented.

* The computation of basic and diluted EPS did not include the Class B Common Stock as the holders of Class B Common Stock have no dividend or liquidation right until such time as their shares of Class B Common Stock have been converted into Class A Common Stock.

* The computation of diluted EPS did not include the underlying shares of warrants calculated using treasury method for the three and six months ended December 31, 2021 as the exercise price was greater than the market price of the shares.

* For the three and six months ended December 31, 2021, the 51,232 vested shares of restricted stock units under the Amended and Restated 2020 Equity Incentive Plan (as discussed in Note 11) are considered issued shares and therefore are included in the computation of basic earnings (loss) per share as of grant date when the shares are fully vested. Impact of nonvested RSU is immaterial to the EPS.

Note 11 – Equity

Common Stock

The Company was incorporated in Nevada on April 11, 2018. As of September 30, 2021, the total authorized shares of capital stock were 200,000,000 shares consisting of 180,000,000 shares of Common Stock (“Common Stock”) and 20,000,000 shares of preferred stock (the “Preferred Stock”), each with a par value of $0.001 per share.

On November 16, 2020, the Company filed an amended and restated articles of incorporation in Nevada to consummate a 2-for-1 forward split of our outstanding shares of Class A Common Stock. All share numbers of Class A Common Stock are stated at a post-split basis.

The holders of Class A Common Stock shall be entitled to one vote per share in voting or consenting to the election of directors and for all other corporate purposes. The Company issued 20,000,000 shares to its founders at inception.

On January 15, 2020, pursuant to a rescission and mutual release agreement with an unrelated company, the Company issued 204,496 shares of its Class A Common Stock as settlement for a payment of $427,010 received by the Company.

On October 20, 2020, the Company entered into stock purchase agreements with Chenlong Tan and Allan Huang (the "Founders") pursuant to which each of the Founders received 7,000,000 shares of the Company's Class B Common Stock, for a purchase price of $0.001 per share in cash. Based on the fact that other than the total consideration of $14,000 (total par value of the Class B Common Stock issued), the Founders did not provide additional services or other means of considerations for the issuance of these shares of Class B Common Stock, the issuance of the Class B Common Stock to the Founders was considered as a nominal issuance, in substance a recapitalization transaction. As such, in accordance with FASB ASC 260-10-55-12 and SAB Topic 4D, the Company recorded and presented the issuance retroactively as outstanding for all reporting periods.

The Class B Common Stock was entitled to ten (10) votes per share in voting or consenting to the election of directors and for all other corporate purposes. In accordance with the Company's amended and restated articles of incorporation, the Class B Common Stock was eligible to convert into shares of Class A Common Stock, on a ten-for-one basis, at any time following twelve (12) months after the Company's completion of the initial public offering of its Class A Common Stock. Holders of Class B Common Stock had no dividend or liquidation rights until such time as their shares of Class B Common Stock were converted into shares of Class A Common Stock. As of June 30, 2020, the outstanding shares of Class B Common Stock were retroactively stated as 14,000,000 and 14,000,000, respectively.

Effective April 14, 2021, the Company amended its articles of incorporation to allow conversion of its Class B Common Stock at any time after issuance. On that same date, the Class B Common stockholders, Chenlong Tan and Allan Huang, elected to convert all of their 14,000,000 outstanding shares of the Company's Class B Common Stock into 1,400,000 shares of Class A Common Stock. On April 23, 2021, the Company further amended and restated its articles of incorporation to eliminate the Class A and Class B Common Stock designations and authorize for issuance a total of 180,000,000 shares which are solely designated as Common Stock.

On May 14, 2020, the Company closed its initial public offering ("IPO") under a registration statement effective May 11, 2021, in which it issued and sold 3,360,000 shares of its Common Stock at a purchase price of $5.00 per share. On May 21, 2021, the Company closed on the IPO's overallotment option, selling an additional 504,000 shares of Common Stock to the IPO's underwriters at the public offering price of $5.00 per share. The Company received net proceeds of approximately $16.6 million from the IPO after deducting underwriting discounts and offering expenses.

On May 14, 2021, upon closing on the Company's IPO, the Series A convertible preferred stock and Convertible Notes were converted into an aggregate of 955,716 shares of the Company's Common Stock.

On May 14, 2021, the Company issued 24,451 shares of Common Stock upon cashless exercise of warrants held by Boustead Securities LLC, the placement agent for the Company's private placement offerings completed in December 2020 and January 2021.

During the quarter ended December 31, 2021, the Company issued to 40,019 shares of common stock for vested RSUs.

As of December 31, 2021 and June 30, 2021, there were 26,488,682 and 26,448,663 shares of Common Stock issued and outstanding, respectively.

Preferred Stock

The Preferred Stock was authorized as "blank check" series of Preferred Stock, providing that the Board of Directors is expressly authorized, subject to limitations prescribed by law, by resolution or resolutions and by filing a certificate pursuant to the applicable law of the State of Nevada, to provide, out of the authorized but unissued shares of Preferred Stock, for series of Preferred Stock, and to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions thereof. As of December 31, 2021 and June 30, 2021, there were no shares of Preferred Stock was issued and outstanding.

Equity Incentive Plan

On May 5, 2021, the Company's Board adopted, and its stockholders approved and ratified, the iPower Inc. Amended and Restated 2020 Equity Incentive Plan (the "Plan"). The Plan allows for the issuance of up to 5,000,000 shares of Common Stock, whether in the form of options, restricted stock, restricted stock units, stock appreciation rights, performance units, performance shares and other stock or cash awards. The general purpose of the Plan is to provide an incentive to the Company's directors, officers, employees, consultants and advisors by enabling them to share in the future growth of the Company's business.

Following completion of the IPO on May 11, 2021, pursuant to their letter agreements, the Company awarded 46,546 restricted stock units ("RSUs") under the Plan to its independent directors, Chief Financial Officer, and certain other employees and consultants, all of which are subject to certain vesting conditions in the next 12 months and restrictions until filing of a Form S-8 for registration of the shares. The fair value of the RSUs was determined to be based on $5.00 per share, the initial listing price of the Company's common stock on the grant date. During the three months ended September 30, 2021, the Company granted an additional 11,745 shares of RSUs to three employees. These RSUs were valued at market price at grant date. On December 23, 2021, The Company granted $30,000, 13,216 RSUs at market price of $2.27 per share. As of December 31, 2021, the Company had granted a total of 71,507 RSUs, of which 50,905 were fully vested, 4,000 was forfeited and 16,602 remained subject to certain vesting conditions. For the three and six months ended December 31, 2021, the Company recorded $54,435 and $157,489 of stock-based compensation expense. There was 4,000 RSUs forfeited during the three months ended December 31, 2021 as a result of resignation of a director and an employee. As of December 31, 2021, the unvested number of RSUs was 16,602 and the unamortized expense was $46,935.

Information relating to RSU grants is summarized as follows:

	Total RSUs Issued	Total Fair Market Value of RSUs Issued as Compensation (1)
RSU's granted, but not vested, at June 30, 2021	24,409	
RSUs granted	24,961	$ 102,370
RSUs forfeited	(4,000)	
RSUs vested	(28,768)	
RSUs granted, but not vested, at December 31, 2021	16,602	

(1) The total fair value was based on the current stock price on the grant date.

As of December 31, 2021, of the 28,768 vested RSUs, 17,882 shares of common stock were issued and 10,886 shares were to be issued in the next quarter.

Note 12 – Warrants

On January 27, 2021, the Company completed a private placement offering pursuant to which the Company sold to two accredited investors an aggregate of $3,000,000 in Convertible Notes and warrants to purchase shares of Class A Common Stock equaling 80% of the number of shares of Class A Common Stock issuable upon conversion of the Convertible Notes. The convertible note warrants shall be exercisable for a period of three years from the IPO completion date at a per share exercise price equal to the IPO. In accordance with the terms of the warrants, in the event the Convertible Notes are repaid in cash by the Company, the warrants issued in conjunction with the Convertible Notes will expire and have no further value.

In connection with the Convertible Note offering, the Company also issued placement agent warrants to purchase 7.0% of the shares of Common Stock underlying the Convertible Notes exercisable at the conversion price of the Convertible Note (the "Conversion Price"). The placement agent warrants had an exercise period of five years from the issuance date.

On May 14, 2021, upon closing of its IPO, the Company remeasured the warrants to fair value using the Modified Black Scholes Option Pricing Model, based on the expected fair value of the underlying stock with the following assumptions:

	As of May 14, 2021
Expected term	1 day to 3 years
Expected volatility	3.3% to 58%
Risk-free interest rate	0.35% to 0.92%
Expected dividend rate	0%
Probability	100%

As of May 14, 2021, the fair value of the warrant liabilities was $1,361,347, which includes $4,610 preferred stock warrants, $1,324,668 warrants issued to the Convertible Note investors and $32,069 warrants issued to the placement agent. The increase in fair value immediately before the IPO was $617,593, which was reported in other non-operating expenses for the year ended June 30, 2021.

Upon closing the IPO on May 14, 2021, the Placement Agent exercised its warrants in full to purchase a total of 24,451 shares of the Company's Common Stock and, as such, there were no Placement Agent Warrants outstanding as of June 30, 2021. At the same time, the outstanding warrants held by the Convertible Note investors were reclassified to additional paid in capital as the terms became fixed upon closing of the IPO. Through December 31, 2021, none of the private placement investors had exercised any of their warrants. As such, as of December 31, 2021 and June 30, 2021, the number of shares issuable under the outstanding warrants was 685,715, with an exercise price of $5.0 per share.

Note 13 - Concentration of risk

<u>Credit risk</u>

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable.

As of December 31, 2021 and June 30, 2021, $1,091,758 and $6,651,705, respectively, were deposited with various major financial institutions in the United States. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) for up to $250,000. The Company had approximately $0.48 million and $5.4 million, respectively, in excess of the FDIC insurance limit, as of December 31, 2021 and June 30, 2021.

Accounts receivable are typically unsecured and derived from revenue earned from customers, thereby exposing the Company to credit risk. The risk is mitigated by the Company's assessment of its customers' creditworthiness and its ongoing monitoring of outstanding balances. The Company maintains reserves for estimated credit losses, and such losses have generally been within expectations.

<u>Customer and vendor concentration risk</u>

For the six months ended December 31, 2021 and 2020, Amazon Vendor and Amazon Seller customers accounted for 89% and 77% of the Company's total revenues, respectively. As of December 31, 2021 and June 30, 2021, accounts receivable from Amazon Vendor and Amazon Seller accounted for 98% and 98% of the Company's total accounts receivable.

For the six months ended December 31, 2021 and 2020, two suppliers accounted for 29% (22% and 7%) and 33% (22% and 11%) of the Company's total purchases, respectively. As of December 31, 2021, accounts payable to one supplier accounted for 17% of the Company’s total accounts payable. As of June 30, 2021, accounts payable to two suppliers accounted for 11% and 10% of the Company’s total accounts payable.

Note 14 - Commitments and contingencies

Lease commitment

The Company has adopted ASC842 since its inception date, April 11, 2018. The Company has entered into a lease agreement for office and warehouse space with a lease period from December 1, 2018 until December 31, 2020. On August 24, 2020, the Company negotiated for new terms to extend the lease. As a result, the lease term was amended and extended through December 31, 2023.

On September 1, 2020, in addition to the primary fulfillment center, the Company leased a second fulfillment center in City of Industry, California. The base rental fee is $27,921 to $29,910 per month through October 31, 2023.

Total commitment for the full term of these leases is $2,346,200. $1,473,397 and $1,819,421 of operating lease right-of-use assets and $1,544,049 and $1,901,496 of operating lease liabilities were reflected on the December 31, 2021 and June 30, 2021 financial statements, respectively.

Three Months Ended December 31, 2021 and 2020:

Lease cost	12/31/2021	12/31/2020
Operating lease cost (included in selling and fulfillment expenses in the Company's statement of operations)	$ 205,517	$ 213,423
Other information		
Cash paid for amounts included in the measurement of lease liabilities	$ 212,694	$ 179,785
Remaining term in years	1.75	2.75
Average discount rate - operating leases	8%	8%

Six Months Ended December 31, 2021 and 2020:

Lease cost	12/31/2021	12/31/2020
Operating lease cost (included in selling and fulfillment expenses in the Company's statement of operations)	$ 411,034	$ 369,959
Other information		
Cash paid for amounts included in the measurement of lease liabilities	$ 422,457	$ 342,392
Remaining term in years	1.75	2.75
Average discount rate - operating leases	8%	8%

The supplemental balance sheet information related to leases for the period is as follows:

Operating leases	12/31/2021	6/30/2021
Right of use asset - non-current	$ 1,473,397	$ 1,819,421
Lease Liability - current	766,759	731,944
Lease Liability - non-current	777,290	1,169,552
Total operating lease liabilities	$ 1,544,049	$ 1,901,496

Maturities of the Company's lease liabilities are as follows:

		Operating Lease
For years ending June 30:		
2022	$	425,388
2023		859,881
2024		371,640
Less: Imputed interest/present value discount		(112,860)
Present value of lease liabilities	$	1,544,049

On July 28, 2021, the Company entered into a Lease agreement (the "Lease Agreement") with 9th & Vineyard, LLC, a Delaware limited liability company (the "Landlord"), to lease from the Landlord approximately 99,347 square feet of space located at 8798 9th Street, Rancho Cucamonga, California (the "Premises"). The Company expects to use the Premises for the storage and distribution of hydroponic equipment, lighting and garden accessories, home products, pet products, other consumer products and other ancillary uses. The term of the Lease Agreement is for 62 months, commencing on the date on which the Landlord completes certain proscribed improvements on the property (the "Rent Commencement Date"). The Lease Agreement does not provide for an option to renew.

Under the terms of the Lease Agreement, the Company paid an initial security deposit of $228,498.10, which was included in other non-current assets, and, upon the Rent Commencement Date (which shall be the date on which the Premises is delivered to the Company following completion of certain improvements to be made by the Landlord, with such delivery to be on or before February 28, 2022), the Company's initial monthly base rent (the "Base Rent") will be approximately $114,249.05 and will increase on each anniversary of the Rent Commencement Date as follows:

Months	Price Per Square Foot of the Premises Per Month	Monthly Base Rent
1-12	$1.15 per square foot per month	$114,249.05
13-24	$1.19 per square foot per month	$118,222.93
25-36	$1.23 per square foot per month	$122,196.81
37-48	$1.27 per square foot per month	$126,170.69
49-60	$1.31 per square foot per month	$130,144.57
61-62	$1.36 per square foot per month	$135,111.92

In addition, the Company will be responsible for its pro rata share of certain costs, including utility costs, insurance and common area costs, as further detailed in the Lease Agreement. Following the Rent Commencement Date, the first two months of the Base Rent will be abated.

During the six months ended December 31, 2021, the Company had not paid any rental fees as the Premises has not been delivered.

Contingencies

Except as disclosed below, the Company is not currently a party to any material legal proceedings, investigation or claims. However, the Company may, from time to time, be involved in legal matters arising in the ordinary course of its business. While the Company is not presently subject to any material legal proceedings, other than the proceeding detailed below, there can be no assurance that such matters will not arise in the future or that any such matters in which the Company is involved, or which may arise in the ordinary course of the Company's business, will not at some point proceed to litigation or that such litigation will not have a material adverse effect on the business, financial condition or results of operations of the Company.

Pursuant to an engagement agreement, dated and effective August 31, 2020 (the "Engagement Agreement"), with Boustead Securities LLC ("Boustead"), the Company engaged Boustead to act as its exclusive placement agent for private placements of its securities and as a potential underwriter for its initial public offering. On February 28, 2021, the Company informed Boustead that it was terminating the Engagement Agreement and any continuing obligations the Company may have had under its terms. On April 15, 2021, the Company provided formal written notice to Boustead of its termination of the Engagement Agreement and all obligations thereunder, effective immediately. On April 30, 2021, Boustead filed a statement of claim with the Financial Institute Regulatory Authority, or FINRA, demanding to arbitrate the dispute, and is seeking, among other things, monetary damages against the Company and D.A. Davidson & Co. (who acted as underwriter in the Company's IPO). The FINRA arbitration has been scheduled for June 20, 2022. The Company has agreed to indemnify D.A. Davidson & Co. and the other underwriters against any liability or expense they may incur or be subject to arising out of the Boustead dispute. Additionally, Chenlong Tan, the Company's Chairman, President and Chief Executive Officer and a beneficial owner more than 5% of the Company's Common Stock, has agreed to reimburse the Company for any judgments, fines and amounts paid or actually incurred by the Company or an indemnitee in connection with such legal action or in connection with any settlement agreement entered into by the Company or an indemnitee up to a maximum of $3.5 million in the aggregate, with the sole source of funding of such reimbursement to come from sales of shares then owned by Mr. Tan.

In an effort to contain or slow the COVID-19 outbreak, authorities across the world have implemented various measures, some of which have been subsequently rescinded or modified, including travel bans, stay-at-home orders and shutdowns of certain businesses. The Company anticipates that these actions and the global health crisis caused by the COVID-19 outbreak, including any resurgences, will continue to negatively impact global economic activity. While the COVID-19 outbreak has not had a material adverse impact on the Company's operations to date, it is difficult to predict all of the positive or negative impacts the COVID-19 outbreak will have on the Company's business.

Note 15 - Subsequent events

On January 14, 2022, the board of directors (the "Board") of iPower, Inc., a Nevada corporation (the "Company"), approved the Company's entry into a joint venture agreement, dated January 13, 2022 (the "Box Harmony Joint Venture Agreement"), with Titanium Plus Autoparts, Inc., a California corporation ("TPA"), Tony Chiu ("Chiu") and Bin Xiao ("Xiao"). Pursuant to the terms of the Box Harmony Joint Venture Agreement, the parties formed a Nevada limited liability company, Box Harmony, LLC ("Box Harmony"), for the principal purpose of providing logistic services primarily for foreign-based manufacturers or distributors who desire to sell their products online in the United States with such logistic services to include, without limitation, receiving, storing and transporting such products.

Following entry into the Box Harmony Joint Venture Agreement, Box Harmony issued a total of 6,000 certificated units of membership interest, designated as Class A voting units ("Equity Units"), as follows: (i) the Company agreed to contribute $50,000 in cash and agreed to provide Box Harmony with the use and access to certain warehouse facilities leased by the Company (see below) in exchange for 2,400 Equity Units in Box Harmony, and (ii) TPA received 1,200 Equity Units in exchange for (a) $1,200 and contributing the TPA IP License referred to below, (b) its existing and future customer contracts, and (c) granting Box Harmony the use of shipping accounts (Fedex and UPS) and all other TPA carrier contracts, and (iii) Bin received 2,400 Equity Units in exchange for $2,400 and his agreement to manage the day to day operations of Box Harmony.

Under the terms of the Box Harmony limited liability operating agreement (the "LLC Agreement"), TPA and Xiao each granted to the Company an unconditional and irrevocable right and option to purchase from Xiao and TPA at any time within the first 18 months following January 13, 2022, up to 1,200 Class A voting units, at an exercise price of $550 per Class A voting unit, for a total exercise price of up to $660,000. If such option is fully exercised, the Company would own 3,600 Equity Units or 60% of the total outstanding Equity Units. The LLC Agreement prohibits the issuance of additional Equity Units and certain other actions unless approved in advance by the Company.

Pursuant to the Box Harmony Joint Venture Agreement, on January 13, 2022, the Company and Box Harmony entered into a facility and use access sublease agreement (the "Facility and Use Access Agreement"), pursuant to which the Company will sublease to Box Harmony a portion of its leased warehouses located in California. Under such Facility and Use Access Agreement, Box Harmony would pay the Company a pro-rata portion of all rent and other charges based on the amount of square feet of rentable space sublet to and used by Box Harmony. Further pursuant to the terms of the Box Harmony Joint Venture Agreement, on January 13, 2022, Box Harmony, TPA and Xiao entered into a consulting agreement ("Consulting Agreement"), pursuant to which Xiao and TPA will provide management consulting services to assist Box Harmony in conducting its business. Additionally, on January 13, 2022, TPA, Xiao and Chiu entered into a license agreement ("License Agreement") pursuant to which TPA licensed certain intellectual property rights to Box Harmony.

As of the date of this filing, there was no activities conducted by Box Harmony yet.

On February 4, 2022, the board of directors (the "Board") of the Company approved the Company's entry into a joint venture agreement with Bro Angel, LLC, Jie Shan and Bing Luo (the "GSM Joint Venture Agreement"). Pursuant to the terms of the GSM Joint Venture Agreement, dated February 10, 2022, the parties formed a Nevada limited liability company, Global Social Media, LLC ("GSM"), for the principal purpose of providing a social media platform, contents and services to assist businesses, including the Company and other businesses, in the marketing of their products.

Following entry into the GSM Joint Venture Agreement, GSM issued 10,000 certificated units of membership interest (the "GSM Equity Units"), of which the Company was issued 6,000 GSM Equity Units and Bro Angel was issued 4,000 GSM Equity Units. Messrs. Shin and Luo are the owners of 100% of the equity of Bro Angel.

Under the terms of the GSM limited liability operating agreement (the "GSM LLC Agreement"), the Company contributed $100,000 to the capital of GSM and Bro Angel granted GSM an exclusive worldwide paid up right and license to use all intellectual property of Bro Angel and its members for the purpose of furthering the proposed business of GSM. The LLC Agreement prohibits the issuance of additional GSM Equity Units and certain other actions unless approved in advance by the Company.

Pursuant to the GSM Joint Venture Agreement, the Company and GSM also intend to enter into an occupancy management agreement pursuant to which the Company shall agree to grant to GSM the right to have access to and use up to approximately 4,000 square feet of office space along with internet access at the Company's facility located at 2399 Bateman Avenue, Irwindale, CA 91010. It is contemplated that only approximately 300-400 square feet will be initially used by GSM.

As of the date of this filing, there was no activities conducted by GSM yet.

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

The following Management's Discussion and Analysis should be read in conjunction with our financial statements and the related notes thereto included elsewhere herein. This Management's Discussion and Analysis ("MD&A") contains forward-looking statements that involve risks and uncertainties, such as statements of our plans, objectives, expectations and intentions. Any statements that are not statements of historical fact are forward-looking statements. When used, the words "believe," "plan," "intend," "anticipate," "target," "estimate," "expect," and the like, and/or future-tense or conditional constructions ("will," "may," "could," "should," etc.), or similar expressions, identify certain of these forward-looking statements. These forward-looking statements are subject to risks and uncertainties that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements in this form. Our actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of several factors.

Historical results may not indicate future performance. Our forward-looking statements reflect our current views about future events, are based on assumptions and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those contemplated by these statements. We undertake no obligation to publicly update or revise any forward-looking statements, including any changes that might result from any facts, events, or circumstances after the date hereof that may bear upon forward-looking statements. Furthermore, we cannot guarantee future results, events, levels of activity, performance, or achievements.

Overview

iPower Inc. is an online hydroponic, home and garden equipment supplier based in the United States. Through the operations of our e-commerce platform, www.Zenhydro.com, and our combined 72,000 square foot fulfillment centers in Los Angeles, California, we believe we are one of the leading marketers, distributors and retailers of grow-light systems, ventilation systems, activated carbon filters, nutrients, growing media, hydroponic water-resistant grow tents, trimming machines, pumps, shelving and accessories for hydroponic gardening, based on management's estimates. We have a diverse customer base that includes commercial users and individuals. Our core strategy continues to focus on expanding our geographic reach across the United States through organic growth, both in terms of expanding customer base as well as brand and product development.

We are actively developing and acquiring our in-house branded products, which to date include the ***iPower*** and ***Simple Deluxe*** brands and consist of more than 4,000 SKUs of products such as grow-light systems, ventilation systems, activated carbon filters, nutrients, growing media, hydroponic water-resistant grow tents, trimming machines, pumps and many more hydroponic-related items; some of which have been designated as Amazon best seller product leaders, among others. For the quarter ended December 31, 2021, our top five product segments accounted for 64.4% of total sales. While we continue to focus on our top product categories, we are working to expand our product catalog to include new and adjacent categories.

Trends and Expectations

Product and Brand Development

We plan to increase investments in product and brand development. We actively evaluate potential acquisition opportunities of companies and product brand names that can complement our product catalog and improve on existing products and supply chain efficiencies.

COVID-19 Outbreak

We are continuing to closely monitor the impact of the COVID-19 outbreak on our business, results of operations and financial results. The situation surrounding the COVID-19 outbreak remains fluid and the full extent of the positive or negative impact of the COVID-19 outbreak on our business will depend on certain developments including the length of time that the outbreak continues, the impact on consumer activity and behaviors and the effect on our customers, employees, suppliers, and stockholders, all of which are uncertain and cannot be predicted. Our focus remains on promoting the health, safety and financial security of our employees and serving our customers. As a result, we have taken a number of precautionary measures, including implementing social distancing and enhanced cleaning measures in our facilities, suspending all non-essential travel, transitioning certain of our employees to working-from-home arrangements, reimbursing certain employee technology purchases, providing emergency paid time off and targeted hourly pay increases and developing no contact delivery methods.

In an effort to contain or slow the COVID-19 outbreak, authorities across the world have implemented various measures, some of which have been subsequently rescinded or modified, including travel bans, stay-at-home orders and shutdowns of certain businesses. We anticipate that these actions and the global health crisis caused by the COVID-19 outbreak, including any resurgences, will continue to negatively impact global economic activity. While the COVID-19 outbreak has not had a material adverse impact on our operations to date and we believe the long-term opportunity that we see for shopping online remains unchanged, it is difficult to predict all of the positive or negative impacts the COVID-19 outbreak will have on our business.

In the short term, we have continued to see increased sales and order activity in the market since the COVID-19 outbreak. In order to keep up with the increased orders, we have hired and are continuing to hire additional personnel. However, much is unknown and accordingly the situation remains dynamic and subject to rapid and possibly material change. We will continue to actively monitor the situation and may take further actions that alter our business operations as may be required by federal, state, local or foreign authorities, or that we determine are in the best interests of our customers, employees, suppliers, stockholders and communities.

Regulatory Environment

We sell hydroponic gardening products to end users that may use such products in new and emerging industries or segments, including the growing of cannabis. The demand for hydroponic gardening products depends on the uncertain growth of these industries or segments due to varying, inconsistent, and rapidly changing laws, regulations, administrative practices, enforcement approaches, judicial interpretations, and consumer perceptions. For example, certain countries and a total of 44 U.S. states plus the District of Columbia have adopted frameworks that authorize, regulate and tax the cultivation, processing, sale and use of cannabis for medicinal and/or non-medicinal use, including legalization of hemp and CBD, while the U.S. Controlled Substances Act and the laws of U.S. states prohibit growing cannabis. Demand for our products could be impacted by changes in the regulatory environment with respect to such industries and segments.

RESULTS OF OPERATIONS

For the three months ended December 31, 2021 and 2020

The following table presents certain unaudited condensed consolidated and combined statement of operations information and presentation of that data as a percentage of change from period to period.

	Three Months Ended December 31, 2021	Three Months Ended December 31, 2020	Variance
Revenues	$ 17,125,663	$ 11,254,317	52.17%
Cost of goods sold	9,568,051	6,306,726	51.71%
Gross profit	7,557,612	4,947,591	52.75%
Selling, fulfillment, general and administrative expenses	6,422,327	4,094,485	56.85%
Operating income	1,135,285	853,106	33.08%
Other (expenses)	(14,709)	(50,700)	(70.99%)
Income before income taxes	1,120,576	802,406	39.65%
Income tax expenses	322,715	226,930	42.21%
Net income	$ 797,861	$ 575,476	38.64%
Gross profit % of revenues	44.13%	43.96%	
Net income % of revenues	4.66%	5.11%	

Revenues

Revenues for the three months ended December 31, 2021 increased 52.17% to $17,125,663 as compared to $11,254,317 for the three months ended December 31, 2020. While pricing remained stable, the increased revenue mainly resulted from an increase in sales volume and expansion of sales to other regions, such as Canada, Europe, Asia, etc. In addition to our organic growth, which we achieved as a result of improved products and more effective online marketing and merchandising efforts, the increase in sales was attributable to more people shopping online and pursuing gardening and growing projects during the COVID-19 pandemic. However, while the revenues for the current quarter remained consistent with last quarter, we cannot assure that this trend will continue, and our business may be adversely affected by poor overall economic conditions and shipping delays caused by the ongoing COVID-19 pandemic.

Costs of Goods Sold

Costs of goods sold for the three months ended December 31, 2021 increased 51.71% to $9,568,051 as compared to $6,306,726 for the three months ended December 31, 2020. The increase was due to an increase in sales, as discussed above. In addition, we experienced a decrease in cost of goods sold as a percentage of revenue as a result of selling more products under in-house brands as opposed to third party brands. See discussions on gross profit below.

Gross Profit

Gross profit was $7,557,612 for the three months ended December 31, 2021 as compared to $4,947,591 for the three months ended December 31, 2020. The gross profit ratio slightly increased to 44.13% for the three months ended December 31, 2021 from 43.96% for the three months ended December 31, 2020. The increase was mainly due to a combination of an increase in sales, as discussed above, and a decrease of cost of goods sold resulting from selling more products under in-house brands as opposed to third party brands. The gross margin for in-house branded products is, on average, 20% higher than our gross margin for third party brands.

Selling, Fulfillment, General and Administrative Expenses

Selling, fulfillment, and general and administrative expenses for the three months ended December 31, 2021 increased 56.85% to $6,422,327 as compared to $4,094,485 for the three months ended December 31, 2020. The increase was mainly due to an increase in selling and fulfillment expenses of $0.86 million and general and administrative expenses of $1.47 million, which included payroll expenses, stock-based compensation expense, insurance expenses, and other operating expenses including expenses associated with being a publicly traded company.

Other (Expenses)

Other (expenses) consists of interest expense, financing fees and other non-operating income (expenses). Other expenses for the three months ended December 31, 2021 was ($14,709) as compared to ($50,700) for the three months ended December 31, 2020. The decrease in other expenses was a combined result of an increase in other income of $49,948 and an increase in interest, including amortization of debt discount on the revolving loan, and financing expenses of 13,957 during the period ended December 31, 2021.

Net Income

Net income for the three months ended December 31, 2021 was $797,861 as compared to net income of $575,476 for the three months ended December 31, 2020, representing an increase of $222,385. The decrease in net income as percentage of revenues for the three months ended December 31, 2021 was primarily due to the increase in operating and non-operating expenses discussed above.

For the six months ended December 31, 2021 and 2020

The following table presents certain unaudited condensed consolidated and combined statement of operations information and presentation of that data as a percentage of change from period to period.

	Six Months Ended December 31, 2021	Six Months Ended December 31, 2020	Variance
Revenues	$ 34,492,428	$ 26,214,252	31.58%
Cost of goods sold	19,621,114	15,703,873	24.94%
Gross profit	14,871,314	10,510,379	41.49%
Selling, fulfillment, general and administrative expenses	12,445,714	8,580,900	45.04%
Operating income	2,425,600	1,929,479	25.71%
Other (expenses)	(74,521)	(69,133)	7.79%
Income before income taxes	2,351,079	1,860,346	26.38%
Income tax expenses	665,690	522,874	27.31%
Net income	$ 1,685,389	$ 1,337,472	26.01%
Gross profit % of revenues	43.11%	40.09%	
Net income % of revenues	4.89%	5.1%	

Revenues

Revenues for the six months ended December 31, 2021 increased 31.58% to $34,492,428 as compared to $26,214,252 for the six months ended December 31, 2020. While pricing remained stable, the increased revenue mainly resulted from an increase in sales volume and expansion of sales to other regions, such as Canada, Europe, Asia, etc. In addition to our organic growth, which we achieved as a result of improved products and more effective online marketing and merchandising efforts, the increase in sales was attributable to more people shopping online and pursuing gardening and growing projects during the COVID-19 pandemic. However, we cannot assure that this trend will continue, and our business may be adversely affected by poor overall economic conditions and shipping delays caused by the ongoing COVID-19 pandemic.

Costs of Goods Sold

Costs of goods sold for the six months ended December 31, 2021 increased 24.94% to $19,621,114 as compared to $15,703,873 for the six months ended December 31, 2020. The increase was due to an increase in sales as discussed above. In addition, we experienced a decrease of cost of goods sold as a percentage of revenue as a result of selling more products under in-house brands as opposed to third party brands. See discussions on gross profit below.

Gross Profit

Gross profit was $14,871,314 for the six months ended December 31, 2021 as compared to $10,510,379 for the six months ended December 31, 2020. The gross profit ratio also increased to 43.11% for the six months ended December 31, 2021 from 40.09% for the six months ended December 31, 2020. The increase was due to a combination of an increase in sales as discussed above and a decrease of cost of goods sold resulting from selling more products under in-house brands as opposed to third party brands. The gross margin for in-house branded products is, on average, 20% higher than our gross margin for third party brands.

Selling, Fulfillment, General and Administrative Expenses

Selling, fulfillment, general and administrative expenses for the six months ended December 31, 2021 increased 45.04% to $12,445,714 as compared to $8,580,900 for the six months ended December 31, 2020. The increase was mainly due to an increase in selling and fulfillment expenses of $1.31 million and general and administrative expenses of $2.56 million, which included payroll expenses, stock-based compensation expense, insurance expenses, and other operating expenses including expenses associated with being a publicly traded company.

Other (Expenses)

Other (expenses) consists of interest expense, financing fees and other non-operating income (expenses). Other expenses for the six months ended December 31, 2021 was ($74,521) as compared to ($69,133) for the six months ended December 31, 2020. The slight increase in other expenses was mainly due to an increase in interest expenses, including amortization of debt discount on the revolving loan, during the period ended December 31, 2021.

Net Income

Net income for the six months ended December 31, 2021 was $1,685,389 as compared to net income of $1,337,472 for the six months ended December 31, 2020, representing an increase of $347,917. While the gross profit as percentage of revenues increased to 43.11% in the six months ended December 31, 2021 as compared to 40.09% for the same period in 2020, the slight decrease in net income as percentage of revenues for the six months ended December 31, 2021 was primarily due to the increase in operating expenses discussed above.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity

During the six months ended December 31, 2021 we primarily funded our operations with cash and cash equivalents generated from operations, as well as through completion of two private placements in 2020 and 2021, completion of our initial public offering in May of 2021, and borrowing under our credit facility and loans from the Small Business Administration and JPMorgan Chase Bank. We had cash and cash equivalents of $1,091,758 as of December 31, 2021, representing a $5.56 million decrease from $6,651,705 of cash as of June 30, 2021. The cash decrease was primarily the result of the decrease in net cash provided by operating activities, including increased investment in inventory to support our increasing sales, payment of income taxes, and the increase in accounts receivable from Amazon resulting from increased sales.

Based on our current operating plan, and despite the current uncertainty resulting from the ongoing COVID-19 pandemic, we believe that our existing cash and cash equivalents and cash flows from operations will be sufficient to finance our operations the next twelve months.

Our cash requirements consist primarily of day-to-day operating expenses and obligations with respect to warehouse leases. We lease all our office and warehouse facilities. We expect to make future payments on existing leases from cash generated from operations. We have credit terms in place with our major suppliers, however as we bring on new suppliers, we are often required to prepay our inventory purchases from them. This is consistent with our historical operating model which allowed us to operate using only cash generated by the business. Beyond the next twelve months we believe that our cash flow from operations should improve as supply chains begin to return to normal and new suppliers we are bringing online transition to credit terms more favorable to us. In addition, we plan to increase the size of our in-house product catalog, which will have a net beneficial impact to our margin profile and ability to generate cash. In addition, we have approximately $8 million unused credit under the revolving line with JPM. Given our current working capital position an available funding from our revolving credit line, we believe we will be able to manage through the current challenges by managing payment terms with customers and vendors.

Working Capital

As of December 31, 2021 and June 30, 2021, our working capital was $31.96 million and $23.28 million, respectively. The historical seasonality in our business during the year can cause cash and cash equivalents, inventory and accounts payable to fluctuate, resulting in changes in our working capital. We anticipate that past historical trends to remain in place through the balance of the fiscal year with working capital remaining near this level for the foreseeable future.

Cash Flows

Operating Activities

Net cash (used in) operating activities for the six months ended December 31, 2021 and December 31, 2020 was $12,243,043 and $1,467,067, respectively. The increase in use of cash in operating activities was resulted from an increased purchase of products in order to maintain the higher inventory levels required to meet our increasing sales volumes, payment of income taxes, and the increase in accounts receivable resulted from increased sales.

Investing Activities

For the six months ended December 31, 2021 and December 31, 2020, net cash used in investing activities was the result of additions to property and equipment of $56,424 and $55,751, respectively, which were mainly related to the purchase of warehouse fixtures and office equipment.

Financing Activities

Net cash provided by financing activities was $6,739,520 and $1,089,256, respectively, for the six months ended December 31, 2021 and December 31, 2020. The main reason for the increase in net cash provided was primarily a result of proceeds from the asset-based revolving loan with JPMorgan Chase Bank.

OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet arrangements (as that term is defined in Item 303 of Regulation S-K) that are reasonably likely to have a current or future material effect on our financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We prepare our consolidated and combined financial statements in accordance with accounting principles generally accepted in the United States, or GAAP and pursuant to the rules and regulations of the Securities Exchange Commission ("SEC"). The preparation of consolidated and combined financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated and combined financial statements and accompanying notes. Actual results could differ from those estimates. In some cases, changes in the accounting estimates are reasonably likely to occur from period to period. Accordingly, actual results could differ materially from our estimates. To the extent that there are material differences between these estimates and actual results, our financial condition and results of operations will be affected. We base our estimates on experience and other assumptions that we believe are reasonable under the circumstances, and we evaluate these estimates on an ongoing basis. We refer to accounting estimates of this type as critical accounting policies, which we discuss further below. While our significant accounting policies are more fully described in Note 2 to our audited consolidated and combined financial statements, we believe that the following accounting policies are critical to the process of making significant judgments and estimates in the preparation of our audited consolidated and combined financial statements.

Revenue recognition

The Company recognizes revenue from product sales revenues, net of promotional discounts and return allowances, when the following revenue recognition criteria are met: a contract has been identified, separate performance obligations are identified, the transaction price is determined, the transaction price is allocated to separate performance obligations and revenue is recognized upon satisfying each performance obligation. The Company transfers the risk of loss or damage upon shipment, therefore, revenue from product sales is recognized when it is shipped to the customer. Return allowances, which reduce product revenue by the Company's best estimate of expected product returns, are estimated using historical experience.

The Company evaluates the criteria of ASC 606 - Revenue Recognition Principal Agent Considerations in determining whether it is appropriate to record the gross amount of product sales and related costs or the net amount earned as commissions. Generally, when the Company is primarily responsible for fulfilling the promise to provide a specified good or service, the Company is subject to inventory risk before the good or service has been transferred to a customer and the Company has discretion in establishing the price, revenue is recorded at gross.

Payments received prior to the shipment of goods to customers are recorded as customer deposits.

The Company periodically provides incentive offers to its customers to encourage purchases. Such offers include current discount offers, such as percentage discounts off current purchases and other similar offers. Current discount offers, when accepted by the Company's customers, are treated as a reduction to the purchase price of the related transaction.

Sales discounts are recorded in the period in which the related sale is recognized. Sales return allowances are estimated based on historical amounts and are recorded upon recognizing the related sales. Shipping and handling costs are recorded as selling expenses.

Inventory, net

Inventory consists of finished goods ready for sale and is stated at the lower of cost or market. The Company values its inventory using the weighted average costing method. The Company’s policy is to include as a part of cost of goods sold any freight incurred to ship the product from its vendors to warehouses. Outbound freight costs related to shipping costs to customers are considered period costs and reflected in selling, general and administrative expenses. The Company regularly reviews inventory and considers forecasts of future demand, market conditions and product obsolescence.

If the estimated realizable value of the inventory is less than cost, the Company makes provisions in order to reduce its carrying value to its estimated market value. The Company also reviews inventory for slow moving and obsolescence and records allowance for obsolescence.

Leases

Since inception on April 11, 2018, the Company adopted ASC 842 – Leases (“ASC 842”), which requires lessees to record right-of-use, or ROU, assets and related lease obligations on the balance sheet, as well as disclose key information regarding leasing arrangements.

ROU assets represent our right to use an underlying asset for the lease terms and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the Company’s leases do not provide an implicit rate, the Company generally uses its incremental borrowing rate based on the estimated rate of interest for collateralized borrowing over a similar term of the lease payments at commencement date. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Stock-based Compensation

The Company applies ASC No. 718, “Compensation-Stock Compensation,” which requires that share-based payment transactions with employees and nonemployees upon adoption of ASU 2018-07, be measured based on the grant date fair value of the equity instrument and recognized as compensation expense over the requisite service period, with a corresponding addition to equity. Under this method, compensation cost related to employee share options or similar equity instruments is measured at the grant date based on the fair value of the award and is recognized over the period during which an employee is required to provide service in exchange for the award, which generally is the vesting period.

The Company will recognize forfeitures of such equity-based compensation as they occur.

Commitments and Contingencies

In the normal course of business, the Company is subject to certain contingencies, including legal proceedings and claims arising out of the business that relate to a wide range of matters, such as government investigations and tax matters. The Company recognizes a liability for such contingency if it determines it is probable that a loss has occurred and a reasonable estimate of the loss can be made. The Company may consider many factors in making these assessments including historical and specific facts and circumstances of each matter.

Earnings per share

Basic earnings per share are computed by dividing net income attributable to holders of common stock by the weighted average number of shares of common stock outstanding during the year. Diluted earnings per share reflect the potential dilution that could occur if securities to issue common stock were exercised.

Recently issued accounting pronouncements

In August 2020, the FASB issued ASU 2020-06, "Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40)." This ASU reduces the number of accounting models for convertible debt instruments and convertible preferred stock. As well as amend the guidance for the derivatives scope exception for contracts in an entity's own equity to reduce form-over-substance-based accounting conclusions. In addition, this ASU improves and amends the related EPS guidance. This standard becomes effective for the Company on July 1, 2022, including interim periods within those fiscal years. Adoption is either a modified retrospective method or a fully retrospective method of transition. The Company does not expect the adoption of this standard have a material impact on the consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740) – Simplifying the Accounting for Income Taxes. The update is intended to simplify the current rules regarding the accounting for income taxes and addresses several technical topics including accounting for franchise taxes, allocating income taxes between a loss in continuing operations and in other categories such as discontinued operations, reporting income taxes for legal entities that are not subject to income taxes, and interim accounting for enacted changes in tax laws. The new standard is effective for fiscal years beginning after December 15, 2020; however, early adoption is permitted. Adoption of this standard did not have a material impact on the consolidated financial statements.

The Company does not believe other recently issued but not yet effective accounting standards, if currently adopted, would have a material effect on the consolidated and combined financial position, statements of operations and cash flows.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As a "smaller reporting company," we are not required to provide the information required by this Item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow for timely decisions regarding required disclosure.

As of December 31, 2021, our management carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our management concluded that our internal controls over financial reporting were not effective because, among other things, (i) we did not maintain a sufficient complement of personnel with an appropriate degree of technical knowledge commensurate with the Company's accounting and reporting requirements, (ii) lack of effective communication procedures, (iii) our controls related to the financial statements closing process were not adequately designed or appropriately implemented to identify material misstatements in our financial reporting on a timely basis.

Management has evaluated remediation plans to address these deficiencies and is implementing changes to address the material weakness identified, including hiring additional accountants and consultants and implementing controls and procedures over the financial reporting process.

Changes in Internal Controls

During the quarter ended December 31, 2021, we identified misstatement of sales and related expenses during the reconciliation process for transitioning our accounting system and recorded out-of-period adjustments with no material impact to our previously issued annual and interim consolidated financial statements. Furthermore, we determined that correcting the errors in the current period would not materially misstate our annual or interim consolidated financial statements.

It is important to note that a deficiency does not have to result in a material misstatement in order for it to be considered a material weakness. Instead, our evaluation considered the likelihood that the identified deficiency could have resulted in a material misstatement. In order to improve controls and prevent misstatements in the future, the Company had taken remedial actions to correct the system error and implemented the following procedures:

- Performed extensive search and reconciliations with data from third party portals to ensure accuracy and completeness of information
- Improved and upgraded operation system and automated synchronization with a new accounting system with more extensive details
- Conducted training sessions with all departments for information handling, file keeping and safeguarding
- Enhanced and extended reconciliation procedures to all internal and external sources
- Enhanced control procedures for communications and approvals of new transactions/agreements
- provided trainings and instructions to accounting team on how to account for a new contract or a new transaction
- Setup monthly routine communication and inquiry with all related departments for new transaction types and business and review if additional setup is required for either BOP, NetSuite, or other procedures to correctly capture and record the transactions.

UHY LLP, our independent registered public accounting firm, is not required to and has not provided an assessment over the design or effectiveness of our internal controls over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Our former placement agent, Boustead Securities LLC, brought a legal action against us following our communication to Boustead to unilaterally terminate an engagement agreement under which we and Boustead had originally intended for Boustead to be engaged to act as an exclusive underwriter in our initial public offering ("IPO"). To date, we have been unable to reach a settlement with Boustead. On April 30, 2021, Boustead filed a statement of claim with FINRA demanding to arbitrate the dispute, and is seeking, among other things, monetary damages against the Company and D.A. Davidson & Co., who acted as underwriter in our May 2020 IPO. On August 30, 2021, we had a preliminary hearing before FINRA Dispute Resolution Services and the matter has been scheduled to be heard in front of a three-judge panel of FINRA arbitrators on June 20, 2022. We believe that we have meritorious defenses to any claims that Boustead may assert, and we do not believe that such claims will have a material adverse effect on our business, financial condition or operating results. We have agreed to indemnify D.A. Davidson & Co. and the other underwriters who participated in our IPO against any liability or expense they may incur or be subject to arising out of the Boustead dispute. Additionally, Chenlong Tan, our Chairman, President and Chief Executive Officer and a beneficial owner more than 5% of our common stock, has agreed to reimburse us for any judgments, fines and amounts paid or actually incurred by us or an indemnitee in connection with such legal action or in connection with any settlement agreement entered into by us or an indemnitee up to a maximum of $3.5 million in the aggregate, with the sole source of funding of such reimbursement to come from sales of shares then owned by Mr. Tan. For further information, see "Risk Factors – *Prior to our initial public offering we unilaterally terminated an engagement agreement with Boustead Securities LLC and may be subject to litigation in the event we are not able to come to agreement on the amounts Boustead deems itself to be owed under such agreement*" and "Certain Relationships and Related Transactions" in our Annual Report on Form 10-K filed with the SEC on September 28, 2021.

We are not presently party to any pending or other threatened legal proceedings or claims that we believe will have a material adverse effect on our business, financial condition or operating results, although from time to time, we may become involved in legal proceedings in the ordinary course of business.

ITEM 1A. RISK FACTORS

None.

ITEM 2. RECENT SALES OF UNREGISTERED EQUITY SECURITIES

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit No.	Description of Exhibit
10.1	Joint Venture Agreement, dated January 14, 2022, between iPower Inc., Titanium Plus Autoparts, Inc., Tony Chiu and Bin Xiao (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed January 20, 2022).
10.2	Box Harmony LLC Agreement, dated January 14, 2022, between iPower Inc., Titanium Plus Autoparts, Inc. and Bin Xiao (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed January 20, 2022).
10.3	Facility and Use Access Agreement, dated January 13, 2022, between iPower Inc. and Box Harmony LLC (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed January 20, 2022).
10.4	Consulting Agreement, dated January 13, 2022, between Box Harmony LLC, Titantium Plus Autoparts, Inc. and Bin Xiao (incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K filed January 20, 2022).
10.5	License Agreement, dated January 13, 2022, between Box Harmony, LLC, Titanium Plus Autoparts, Inc., Tony Chiu and Bin Xiao (incorporated by reference to Exhibit 10.5 to the Current Report on Form 8-K filed January 20, 2022).
10.6	Director Offer Letter, dated December 23, 2021, between iPower Inc. and Hanxi Li (incorporated by reference to Exhibit 10.6 to the Current Report on Form 8-K filed January 20, 2022).
10.7	Joint Venture Agreement, dated February 10, 2022, between iPower Inc., Bro Angel LLC, Jie Shan and Bing Luo (incorporated by reference to Exhibit 10.1 to Form 8-K filed February 14, 2022).
10.8	Amended & Restated Limited Liability Company Operating Agreement of Global Social Media LLC, dated February 10, 2022, between Global Social Media LLC, iPower Inc. and Bro Angel LLC (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed February 14, 2022).
10.9	Intellectual Property License Agreement, dated February 10, 2022, between Bro Angel LLC and Global Social Media LLC (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed February 14, 2022).
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Schema Document
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	iPower Inc.
February 14, 2022	By: /s/ Chenlong Tan Chenlong Tan Chief Executive Officer
February 14, 2022	By: /s/ Kevin Vassily Kevin Vassily Chief Financial Officer

Exhibit 31.1

CERTIFICATION

I, Chenlong Tan, certify that:

1. I have reviewed this quarterly Report on Form 10-Q Pursuant to Rule 15d-2 under the Securities Exchange Act of 1934 for the period ended December 31, 2021 of iPower Inc. (the “registrant”);

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 officer 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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 officer 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 control over financial reporting.

Date: February 14, 2022

/s/ Chenlong Tan

Chenlong Tan
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Kevin Vassily, certify that:

1. I have reviewed this quarterly Report on Form 10-Q Pursuant to Rule 15d-2 under the Securities Exchange Act of 1934 for the period ended December 31, 2021 of iPower Inc. (the "registrant");

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 officer 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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 officer 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 control over financial reporting.

Date: February 14, 2022

/s/ Kevin Vassily

Kevin Vassily
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of iPower Inc. (the “Company”) on Form 10-Q pursuant to Rule 15d-2 Under the Securities Exchange Act of 1934 for the period ended December 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Chenlong Tan, 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:

(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: February 14, 2022

/s/ Chenlong Tan
Chenlong Tan
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of iPower Inc. (the “Company”) on Form 10-Q pursuant to Rule 15d-2 Under the Securities Exchange Act of 1934 for the period ended December 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Kevin Vassily, 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:

(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: February 14, 2022

/s/ Kevin Vassily
Kevin Vassily
Chief Financial Officer
(Principal Financial and Accounting Officer)