

ABC COMPANY, INC.

**FINANCIAL STATEMENTS FOR THE YEARS
ENDED DECEMBER 31, 2022 AND 2021**

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BALANCE SHEETS**

	As At	
	December 31, 2022	December 31, 2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 195,858	\$ 162,700
Accounts receivable	16,099	17,000
Inventories	5,400	5,400
Prepaid and other assets	8,000	6,000
Other current assets	109,600	57,600
Total current assets	334,957	248,700
NONCURRENT ASSETS		
Property, plant and equipment, net	66,600	64,000
Intangible assets, net	3,599	-
Total noncurrent assets	70,199	64,000
TOTAL ASSETS	\$ 405,156	\$ 312,700
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 11,000	\$ -
Accrued liabilities	7,100	7,100
Other current liabilities	41,270	30,400
Total current liabilities	59,370	37,500
NONCURRENT LIABILITIES		
Debt - noncurrent portion	52,000	53,000
Total noncurrent liabilities	52,000	53,000
MEMBERS' EQUITY		
Common stock	120,000	107,000
Retained earnings	173,786	115,200
Total members' equity	293,786	222,200
Total liabilities and members' equity	\$ 405,156	\$ 312,700

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INCOME STATEMENTS**

	Years Ended	
	December 31, 2022	December 31, 2021
REVENUE		
Revenue from services	\$ 111,956	\$ 93,000
Total revenue	111,956	93,000
COST OF GOODS SOLD		
Labour	1,084	1,600
Total cost of goods sold	1,084	1,600
GROSS PROFIT	110,872	91,400
OPERATING EXPENDITURE		
Payroll	3,000	82,000
Selling, general and administrative expenses	36,568	8,300
Travel	5,604	-
Advertising	4,412	2,200
Amortization	1,401	-
Total operating expenditure	50,985	92,500
Operating income	59,887	(1,100)
Interest (expense)	(101)	-
Income before income taxes	59,786	(1,100)
Provision for income taxes	(1,200)	(1,100)
Net income (loss)	\$ 58,586	\$ (2,200)

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ABC COMPANY, INC.
MEMBERS' EQUITY STATEMENTS

	Years Ended	
	December 31, 2022	December 31, 2021
Common stock	\$ 120,000	\$ 107,000
Retained Earnings		
Beginning Balance	115,200	117,400
Net income (loss)	58,586	(2,200)
Ending Balance	\$ 173,786	\$ 115,200

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ABC COMPANY, INC.
CASH FLOW STATEMENT (INDIRECT METHOD)

	Years Ended	
	December 31, 2022	December 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 58,586	\$ (2,200)
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	23,820	2,400
Amortization	1,401	-
Employee stock options issued	3,000	82,000
Changes in operating assets and liabilities		
(Increase) decrease in accounts receivable	(51,099)	(39,000)
(Increase) decrease in Inventory	-	(1,800)
(Increase) decrease in other current assets	(2,000)	(3,200)
(Increase) decrease in other noncurrent assets	200	28,800
Increase (decrease) in accrued liabilities	-	1,800
Increase (decrease) in other current liabilities	-	1,100
Net cash provided by operating activities	33,908	69,900
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(7,250)	(24,000)
Sale of property and equipment	2,500	-
Purchase of intangible assets	(5,000)	-
Net cash (used in) investing activities	(9,750)	(24,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Common stock issued	10,000	-
Debt raised	2,000	26,000
Debt repaid	(3,000)	(9,000)
Net cash provided by financing activities	9,000	17,000
Net increase in cash and cash equivalents	33,158	62,900
Cash and cash equivalents at beginning of the period	162,700	99,800
Cash and cash equivalents at end of the period	\$ 195,858	\$ 162,700
Noncash activity		
Employee stock options issued	3,000	82,000
Supplementary information		

	Years Ended	
	December 31, 2022	December 31, 2021
Cash paid for interest	101	-
Cash paid for taxes	1,200	1,100

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ABC COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS FOR THE
YEARS ENDED DECEMBER 31, 2022 AND 2021

1 Significant Accounting Policies

1.01 Organization

ABC Company, Inc. ('Company') was incorporated on January 1, 2020, in the state of Texas. The Company is primarily engaged in the business of buying and selling cars.

1.02 Basis of presentation

Our financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The financial statements have been prepared on a going concern basis, which assumes the company will continue to operate for the foreseeable future. All amounts are presented in US dollars, and the company follows the accrual basis of accounting. The financial statements include certain estimates and assumptions that management believes are reasonable. Any significant changes in accounting policies will be disclosed in the notes to the financial statements.

1.03 Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates. Significant estimates include, but are not limited to, the valuation of certain financial instruments, recognition of revenue, determination of allowance for doubtful accounts, and evaluation of impairments of long-lived assets. Management periodically evaluates its estimates based on historical experience and other factors, including changes in conditions that suggest that the carrying amount of assets may not be recoverable.

1.04 Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit with banks, and highly liquid investments with maturities of 90 days or less from the date of purchase. Cash includes demand deposits with Banks. Balances at financial institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000.

1.05 Inventories

Inventory consists primarily of traded goods and is valued at the lower of cost or net realizable value in accordance with ASC 330 - Inventory. Cost is computed using the first-in, first-out method as prescribed by the standard.

1.06 Accounts receivable

The timing of revenue recognition may differ from the timing of invoicing to our customers. We record an unbilled receivable, which is included within accounts receivable on our balance sheets, when revenue is recognized prior to invoicing. Invoice is raised upon delivery of goods. Amounts due from customers arising from the sales of equipment and services are recorded at the outstanding amount, less allowance for losses. We regularly monitor the recoverability of our receivables. The payment terms for products or services offered are the same for all our customers with an average credit period allowed of 30 days. Our accounts receivable consists of amounts due from customers and are typically unsecured. Accounts receivable are recorded at the invoiced amount and are non-interest bearing. As of December 31, 2022, the company had one customer that represented 10% or more of total trade receivables, which accounted for 10%.

1.07 Property and equipment

Property and equipment, which includes furniture and vehicles, are recorded at historical cost net of accumulated depreciation.

Depreciation is calculated using the straight-line method once the assets are ready for their intended use. The estimated useful lives for furniture and vehicles are 4 years. Capitalized costs for internal-use software are amortized over estimated useful lives ranging from 3 years. Repairs and maintenance costs are expensed as incurred, and any gains or losses from the sale or retirement of property and equipment are recognized in the statements of income.

1.08 Intangible assets

Intangible assets consist of internally developed Software and are amortized over their estimated useful lives of 5 years, using the straight-line method. Property and equipment are carried at historical cost, less accumulated depreciation and amortization. The intangible assets are evaluated for impairment periodically, taking into account events or circumstances that may warrant revised estimates of useful lives. Any changes in the estimated useful life assumption result in the remaining unamortized balance being amortized over the revised period.

1.09 Cost of sales

Cost of sales includes all direct costs associated with the production of goods or services sold by the company. This may include raw materials, labor, and overhead costs directly attributable to the production process. Cost of sales does not include selling, general, and administrative expenses. Any changes in inventory valuation or recognition of costs related to long-term contracts are accounted for separately in accordance with ASC 705.

1.10 Advertising costs

Advertising costs are expensed as incurred and classified as operating expenses in the period in which they are expended. Test advertising costs, which are incurred prior to the introduction of a new product or service, are also expensed as incurred. There are no advertising costs capitalized as assets on the balance sheet. Advertising costs incurred were \$ 4,412 and \$ 2,200 in the years ended December 31, 2022 and 2021, respectively.

2 Property, plant and equipment

Property, plant and equipment consists of the following :

	December 31, 2022	December 31, 2021
Building	\$ 48,000	\$ 48,000
Computers and Equipment	5,900	-
Plant	21,850	23,200
	<u>75,750</u>	<u>71,200</u>
Accumulated depreciation	(9,150)	(7,200)
Property, plant and equipment, net	<u>\$ 66,600</u>	<u>\$ 64,000</u>

Depreciation expense on Property, plant and equipment was \$ Nil and \$ Nil for the years ended December 31, 2022 and 2021, respectively.

3 Intangible assets

Intangible assets consists of the following :

	December 31, 2022	December 31, 2021
Goodwill	\$ 5,000	\$ -
Accumulated amortization	(1,401)	-
Intangible assets, net	<u>\$ 3,599</u>	<u>\$ -</u>

Amortization expense on Intangible assets was \$ 1,401 and \$ Nil for the years ended December 31, 2022 and 2021, respectively.