

# AUDICUS

**Audicus, Inc.** (the “Company”) a Delaware Corporation

Financial Statements (unaudited) and  
Independent Accountant’s Review Report

Years ended December 31, 2023 & 2022



## **INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

To Management  
Audicus, Inc.

We have reviewed the accompanying financial statements of the Company which comprise the statement of financial position as of December 31, 2023 & 2022 and the related statements of operations, statement of changes in shareholder equity, and statement of cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **Management's Responsibility for the Financial Statements**

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

### **Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountant's Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter Regarding Going Concern**

As discussed in Note 8, certain conditions indicate substantial doubt that the Company will be able to continue as a going concern. The accompanying financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern. Management has evaluated these conditions and plans to generate revenues and raise capital as needed to satisfy its capital needs.

On behalf of Mongio and Associates CPAs, LLC

Vince Mongio, CPA, EA, CIA, CFE, MACC  
Miami, FL  
April 23, 2024

*Vincenzo Mongio*

## Statement of Financial Position

	As of December 31,	
	2023	2022
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	807,644	72,700
Accounts Receivable, net of Factored Receivables	332,629	428,579
Receivable from Factor	26,232	30,559
Inventory	215,119	127,305
Total Current Assets	1,381,624	659,143
<b>Non-current Assets</b>		
Equipment, net of Accumulated Depreciation	52,353	48,326
Intangible Assets: Trademarks, Patents, Internally Developed Assets, net of Accumulated Amortization	352,535	396,932
Total Non-Current Assets	404,888	445,258
<b>TOTAL ASSETS</b>	<b>1,786,512</b>	<b>1,104,401</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts Payable, net of Credits	1,381,690	833,730
Customer Refunds Payable	144,655	125,961
Payroll Liabilities	74,434	47,122
Notes Payable - Related Party	99,000	85,000
Notes Payable	30,214	-
Revenue-based Financing - Current Portion	13,832	-
Line of Credit	3,989	4,983
Convertible Notes	-	2,962,507
Accrued Interest - Convertible Notes	-	460,271
Total Current Liabilities	1,747,814	4,519,574
<b>Long-term Liabilities</b>		
Revenue-based Financing	16,564	-
Total Long-Term Liabilities	16,564	-
<b>TOTAL LIABILITIES</b>	<b>1,764,379</b>	<b>4,519,574</b>
<b>EQUITY</b>		
Common Stock	48	48
Preferred Stock	5,607	3,316
Additional Paid in Capital, net of Offering Costs	9,241,736	4,699,477
Accumulated Deficit	(9,225,257)	(8,118,014)
Total Equity	22,134	(3,415,173)
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,786,512</b>	<b>1,104,401</b>

### Statement of Operations

	Year Ended December 31,	
	2023	2022
Revenue	11,904,482	10,677,268
Cost of Revenue	2,614,990	2,443,891
Gross Profit	9,289,492	8,233,377
Operating Expenses		
Advertising and Marketing	2,692,751	2,517,879
General and Administrative	7,034,285	6,083,830
Rent and Lease	73,100	63,000
Depreciation	31,337	18,146
Amortization	44,396	44,396
Total Operating Expenses	9,875,868	8,727,251
Operating Income (loss)	(586,376)	(493,874)
Other Expense		
Bad Debt Expense	161,883	-
Loss on Disposal of Assets	-	90,569
Loss on Sale of Receivables	157,526	97,618
Interest Expense	186,930	183,732
Other	9,372	11,348
Total Other Expense	515,711	383,267
Earnings Before Income Taxes	(1,102,087)	(877,141)
Provision for Income Tax Expense/(Benefit)		
Net Income (loss)	(1,102,087)	(877,141)

## Statement of Cash Flows

	Year Ended December 31,	
	2023	2022
<b>OPERATING ACTIVITIES</b>		
Net Income (Loss)	(1,102,087)	(877,141)
Adjustments to reconcile Net Income to Net Cash provided by operations:		
Depreciation	31,337	18,146
Amortization	44,396	44,396
Bad Debt Expense	161,883	-
Loss on Disposal of Assets	-	90,569
Changes in Operating Assets and Liabilities:		
Inventory	(87,814)	65,905
Accounts Receivable	95,950	(275,919)
Receivable from Factor	4,327	(30,559)
Accounts Payable	547,960	(21,130)
Customer Refunds Payable	18,694	(28,239)
Payroll Liabilities	27,312	32,828
Accrued Interest - Convertible Notes	-	172,194
Total Adjustments to reconcile Net Income to Net Cash provided by operations:	844,044	68,191
Net Cash provided by (used in) Operating Activities	(258,043)	(808,950)
<b>INVESTING ACTIVITIES</b>		
Equipment	(35,364)	(38,391)
Net Cash provided by (used by) Investing Activities	(35,364)	(38,391)
<b>FINANCING ACTIVITIES</b>		
Issuance of Series A-1 Preferred Stock	1,055,855	-
Offering Costs	(101,121)	(35,996)
Proceeds from Convertible Notes	-	650,000
Proceeds from Notes Payable - Related Party	22,000	53,000
Payments on Notes Payable - Related Party	(8,000)	-
Proceeds from Notes Payable	30,214	-
Proceeds from Revenue-based Financing	60,000	-
Payments on Revenue-based Financing	(29,604)	-
Payments on Line of Credit	(994)	(608)
Net Cash provided by (used in) Financing Activities	1,028,350	666,396
Cash at the beginning of period	72,700	253,645
Net Cash increase (decrease) for period	734,944	(180,945)
Cash at end of period	807,644	72,700
<b>OTHER NON-CASH FINANCING ACTIVITIES</b>		
Conversion of Notes to Series A Preferred Stock	(3,583,970)	-

**Statement of Changes in Shareholder Equity**

	Common Stock		Preferred Stock		APIC	Offering Costs	Accumulated Deficit	Total Shareholder Equity		
	# of Shares	\$ Amount	Series A	Series A-1						
			# of Shares	\$ Amount					# of Shares	\$ Amount
Beginning Balance at 1/1/2022	6,799,506	46	3,315,688	3,316	-	-	4,988,633	(249,455)	(7,240,872)	(2,498,333)
Exercise of Stock Options	2,708	3	-	-	-	-	1,351	-	-	1,354
Additional Paid in Capital	-	-	-	-	-	-	-	(35,996)	-	(35,996)
Net Income (Loss)	-	-	-	-	-	-	-	-	(877,141)	(877,141)
Prior Period Adjustment	-	-	-	-	-	-	(5,057)	-	-	(5,057)
Ending Balance 12/31/2022	6,802,214	48	3,315,688	3,316	-	-	4,984,927	(285,451)	(8,118,013)	(3,415,173)
Issuance of Preferred Stock	-	-	-	-	153,110	153	860,708	-	-	860,861
Conversion of Debt	-	-	-	-	34,681	35	194,965	-	-	195,000
Conversion of Convertible Notes	-	-	2,103,278	2,103	-	-	3,581,867	-	-	3,583,970
Additional Paid in Capital	-	-	-	-	-	-	-	(101,121)	-	(101,121)
Net Income (Loss)	-	-	-	-	-	-	-	-	(1,102,087)	(1,102,087)
Prior Period Adjustment	-	-	-	-	-	-	683	-	-	683
Ending Balance 12/31/2023	6,802,214	48	5,418,966	5,419	187,791	188	9,623,151	(386,572)	(9,220,100)	22,133

**Audicus, Inc.**  
**Notes to the Unaudited Financial Statements**  
**December 31st, 2023**  
**SUSD**

**NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES**

Audicus, Inc. ("the Company") was initially formed on August 9<sup>th</sup>, 2010 in the state of Delaware under the name of Doublehit, Inc. prior to amending and restating its Certificate of Incorporation on March 15<sup>th</sup>, 2013 under the Company's current name. The Company offers a tele-audiology solution for both consumers and organizations, pioneering a process of remotely screening hearing loss, customizing hearing aids, and providing telecare support. The Company earns revenue through the sale of hearing aids to those customers supported by the tele-audiology services. The Company's headquarters is in New York, New York. The Company's customers will be located in the United States.

The Company will conduct a crowdfunding campaign under regulation CF in 2024 to raise operating capital.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

Our financial statements are prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). Our fiscal year ends on December 31. The Company has no interest in variable interest entities and no predecessor entities.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include all cash balances, and highly liquid investments with maturities of three months or less when purchased.

Fair Value of Financial Instruments

ASC 820 "*Fair Value Measurements and Disclosures*" establishes a three-tier fair value hierarchy, which prioritizes the inputs in measuring fair value. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

These tiers include:

Level 1: defined as observable inputs such as quoted prices in active markets;

Level 2: defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and

Level 3: defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Concentrations of Credit Risks

The Company's financial instruments that are exposed to concentrations of credit risk primarily consist of its cash and cash equivalents. The Company places its cash and cash equivalents with financial institutions of high credit

worthiness. The Company's management plans to assess the financial strength and credit worthiness of any parties to which it extends funds, and as such, it believes that any associated credit risk exposures are limited.

In 2023 and 2022, the Company's cash was held within one financial institution with the standard deposit insurance coverage limit of \$250,000, resulting in a total uninsured cash balance of \$557,644 as of December 31, 2023.

#### Revenue Recognition

The Company recognizes revenue from the sale of products and services in accordance with ASC 606, "Revenue Recognition" following the five steps procedure:

- Step 1: Identify the contract(s) with customers
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to performance obligations
- Step 5: Recognize revenue when or as performance obligations are satisfied

The Company generates revenue from the following sources: Direct-to-Consumer Sales, Business-to-Business Sales, Subscriptions, and Hearing Services.

*Direct-to-Consumer Sales* – The Company's primary performance obligation is the delivery of products. Gross Revenue is recognized at the time of shipment, net of estimated returns. Coincident with revenue recognition, the Company establishes a liability for expected returns and records an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers in order to settle any refund liability.

*Business-to-Business Sales* - The Company's primary performance obligation is the delivery of products. Revenue is recognized at the time of shipment and is invoiced regularly. Returns are uncommon in this segment, so a liability for returns has not been estimated nor established.

*Subscription Sales* - The Company's primary performance obligation is the initial delivery of products, as well as the ongoing availability of services and replacement parts to the customer. Payments are generally collected at the initiation of service, coincident with the time of shipment, and monthly thereafter. The Company does not charge for annual subscriptions resulting in no need to defer such revenues. Gross Revenue is recognized on a monthly basis as performance obligations are satisfied and payments are billed. Net Revenue is net of returns within the permitted window; coincident with revenue recognition at the initiation of the subscription, the Company establishes a liability for expected returns and records an asset for its right to recover products from customers.

*Hearing Services* - The Company generates revenue from the performance of hearing diagnostics, consultations, and device fittings. The Company's primary performance obligation is the administration and completion of such services with each patient. Cash is collected and revenue is recognized upon completion of services at which point in time performance obligations become satisfied.

In relation to the Company's Direct-to-Consumer Sales and Subscription Sales, the revenue reflected on the Statement of Operations is net of such returns and cancellations. As such, the Company had total customer refunds payable of \$144,655 and \$125,961 as of December 31, 2023 and 2022, respectively.

A summary of the Company's revenue is provided below:

<b>Revenue Type</b>	<b>2023</b>	<b>2022</b>
Direct-to-Consumer	6,252,677	5,528,140
Subscriptions	1,305,978	1,255,332
B2B	4,269,677	3,790,765
Hearing Services	76,150	103,031
<b>Grand Total</b>	<b>11,904,482</b>	<b>10,677,268</b>



## Property and Equipment

Property and equipment are recorded at cost. Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to expense. When equipment is retired or sold, the cost and related accumulated depreciation are eliminated from the accounts and the resultant gain or loss is reflected in income. Depreciation is provided using the straight-line method, based on useful lives of the assets.

The Company reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment there was no impairment for December 31, 2023.

A summary of the Company's property and equipment is below:

Property Type	Useful Life in Years	Cost	Accumulated Depreciation	Disposals	Book Value as of 12/31/23
Equipment	3	110,067	(57,714)	-	52,353
<b>Grand Total</b>	-	<b>110,067</b>	<b>(57,714)</b>	-	<b>52,353</b>

## Intangible Assets

The Company's intangible assets consist of patents, trademarks, and internally developed hearing tests and instructional videos utilized for hearing diagnostics. These assets are recorded at cost less accumulated amortization and impairment losses on a systematic basis over their useful lives of 15 years. In 2022, the Company has written-off previously capitalized website and marketing-related expenditures in the amount of \$90,569. A summary of the Company's intangible assets is provided below:

Property Type	Useful Life in Years	Cost	Accumulated Amortization	Disposals	Book Value as of 12/31/23
Trademarks	N/A	5,788	N/A	-	5,788
Patents	15	28,892	(9,794)	-	19,098
Internally Developed Assets	15	727,613	(309,395)	(90,569)	327,649
<b>Grand Total</b>	-	<b>762,293</b>	<b>(319,189)</b>	-	<b>352,535</b>

## Capitalized Internal-Use Software Costs

We are required to follow the guidance of Accounting Standards Codification 350 ("ASC 350"), Intangibles- Goodwill and Other in accounting for the cost of computer software developed for internal-use and the accounting for web-based product development costs. ASC 350 requires companies to capitalize qualifying computer software costs, which are incurred during the application development stage, and amortize these costs on a straight-line basis over the estimated useful life of the respective asset. The Company's internally developed hearing test has reached technological feasibility in 2014 and has undergone subsequent development to improve its functionality and enhance its future economic benefit, resulting in the capitalization of these expenditures.

Costs related to preliminary project activities and post implementation activities are expensed as incurred. Internal-use software is amortized on a straight-line basis over its estimated useful life which is determined to be 15 years.

### Inventory

The Company's inventory consists of finished goods and is valued at cost on the "first-in, first-out" (FIFO) basis. The total ending balance of the Company's inventory was \$215,119 and \$127,305 as of December 31, 2023 and 2022, respectively.

### Accounts Receivable

Trade receivables due from customers are uncollateralized customer obligations due under normal trade terms. Trade receivables are stated at the amount billed to the customer. Payments of trade receivables are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices. Payments are generally collected upfront, but some of the merchants that products are sold through have a delay between collecting from the customer and sending to the Company.

The Company estimates an allowance for doubtful accounts based upon an evaluation of the current status of receivables, historical experience, and other factors as necessary. It is reasonably possible that the Company's estimate of the allowance for doubtful accounts will change. In 2023, the Company realized a bad debt expense of \$161,883 for uncollectible payments serviced by third parties that offered customers an option to "pay over time", and insurance programs that ultimately denied payments on behalf of the insured.

### Factoring Arrangements

The Company's accounts receivable is presented net of any sold invoices. Throughout 2023 and 2022, the Company entered into several factoring arrangements whereby it received cash equal to approximately 85% of the value of the sold receivables while the Factor retained the remaining 15% to cover its factoring fee, and to provide an allowance for any receivables that become uncollectible. Once sold without recourse, the Company recognized a loss on sale of receivables in the respective amounts of \$157,526 and \$97,618 as of December 31, 2023 and 2022. Furthermore, the Company no longer services the collection of these receivables, nor does it establish a recourse liability to account for the risk of bad debts. Once the Factor collects the cash equal to the amount advanced to the Company plus its fee, the excess will be remitted to the Company, resulting in expected receivables from Factor of \$26,232 and \$30,559 as of December 31, 2023 and 2022, respectively. The total ending balance of receivables that remained outstanding and owed to the Factor was \$327,897 and \$381,989 as of December 31, 2023 and 2022, respectively.

### Advertising Costs

Advertising costs associated with marketing the Company's products and services are generally expensed as costs are incurred.

### General and Administrative

General and administrative expenses consist of payroll and related expenses for employees and independent contractors involved in general corporate functions, including accounting, finance, tax, legal, business development, and other miscellaneous expenses.

### Equity Based Compensation

In 2013, the Company adopted its Stock Incentive Plan ("the Plan") for the purposes of attracting and retaining key personnel. A total of 1,641,731 shares of Common Stock have been allocated towards this Plan to be awarded as Stock Options and Restricted Stock.

In 2023, the Company had oral agreements in place with its employees regarding potential bonuses that will be triggered by employee performance and Company profitability. Management estimated that the maximum monetary exposure would have resulted in an additional expense of \$100,000; however, no events have occurred giving rise to the administration of such bonuses as of December 31, 2023.

The Company accounts for stock options issued to employees under ASC 718 (Stock Compensation). Under ASC 718, share-based compensation cost to employees is measured at the grant date, based on the estimated fair value of the award, and is recognized as an item of expense ratably over the employee's requisite vesting period. The Company has elected early adoption of ASU 2018-07, which permits measurement of stock options at their intrinsic value, instead of their fair value. An option's intrinsic value is defined as the amount by which the fair value of the underlying stock exceeds the exercise price of an option. In certain cases, this means that option compensation granted by the Company may have an intrinsic value of \$0.

The Company measures compensation expense for its non-employee stock-based compensation under ASC 505 (Equity). The fair value of the option issued or committed to be issued is used to measure the transaction, as this is more reliable than the fair value of the services received. The fair value is measured at the value of the Company's common stock on the date that the commitment for performance by the counterparty has been reached or the counterparty's performance is complete. The fair value of the equity instrument is charged directly to expense and credited to additional paid-in capital.

There is not a viable market for the Company's common stock to determine its fair value, therefore management is required to estimate the fair value to be utilized in determining stock-based compensation costs. In estimating the fair value, management considers recent sales of its common stock to independent qualified investors, placement agents' assessments of the underlying common shares relating to our sale of preferred stock and validation by independent fair value experts. Considerable management judgment is necessary to estimate the fair value. Accordingly, actual results could vary significantly from management's estimates. Management has concluded that the estimated fair value of the Company's stock and corresponding expense is negligible.

The following is an analysis of options to purchase shares of the Company's stock issued and outstanding:

	<b>Total Options</b>	<b>Weighted Average Exercise Price</b>	<b>Aggregate Intrinsic Value</b>	<b>Weighted-Average Remaining Contractual Term (in years)</b>
Total options outstanding, January 1, 2022	527,445	\$ 0.458	\$ -	7
Granted	50,000	\$ 0.500	\$ -	
Exercised	(2,708)	\$ 0.500	\$ -	
Expired/cancelled	(7,292)			
Total options outstanding, December 31, 2022	567,445	\$ 0.462	\$ -	7
Granted	179,225	\$ 1.880	\$ -	
Exercised	-	\$ -	\$ -	
Expired/cancelled	-			
Total options outstanding, December 31, 2023	746,670	\$ 0.824	\$ -	8
Options exercisable, December 31, 2023	505,609	\$ 0.496	\$ -	6

The following is an analysis of nonvested options to purchase shares of the Company's stock:

	<b>Nonvested Options</b>	<b>Aggregate Intrinsic Value</b>
Nonvested options, January 1, 2022	194,884	
Granted	50,000	\$ -
Vested	(95,315)	\$ -
Forfeited	(7,292)	\$ -
Nonvested options, December 31, 2022	142,277	\$ -
Granted	179,225	\$ -
Vested	(80,441)	\$ -
Forfeited	-	\$ -
Nonvested options, December 31, 2023	241,061	\$ -

## Income Taxes

The Company is subject to corporate income and state income taxes in the state it does business. We account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, we determine deferred tax assets and liabilities on the basis of the differences between the financial statement and tax bases of assets and liabilities by using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. We recognize deferred tax assets to the extent that we believe that these assets are more likely than not to be realized. In making such a determination, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. If we determine that we would be able to realize our deferred tax assets in the future in excess of their net recorded amount, we would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes. We record uncertain tax positions in accordance with ASC 740 on the basis of a two-step process in which (1) we determine whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, we recognize the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority. The Company does not have any uncertain tax provisions. The Company's primary tax jurisdictions are the United States and New York. The Company's primary deferred tax assets are its net operating loss (NOL) carryforwards which approximates its retained earnings as of the date of these financials. A deferred tax asset as a result of NOLs have not been recognized due to the uncertainty of future positive taxable income to utilize the NOL. The Company is no longer subject to U.S. federal, state and local, tax examinations by tax authorities for years before 2019.

The Company has not filed its 2023 tax returns as of the date of these financials and is in the process of doing so.

## Recent Accounting Pronouncements

The FASB issues ASUs to amend the authoritative literature in ASC. There have been a number of ASUs to date that amend the original text of ASC. Management believes that those issued to date either (i) provide supplemental guidance, (ii) are technical corrections, (iii) are not applicable to us or (iv) are not expected to have a significant impact on our financial statements.

### **NOTE 3 – RELATED PARTY TRANSACTIONS**

The Company follows ASC 850, "Related Party Disclosures," for the identification of related parties and disclosure of related party transactions.

During the periods ending December 31, 2023 and 2022, the Company received several unsecured advances from its CEO for the purposes of funding operations. These advances are due upon demand and accrue no interest. The total ending balance of these payables was \$99,000 and \$85,000 as of December 31, 2023 and 2022, respectively.

In 2023, the Company's CEO and an immediate family member of the CEO loaned the Company a total of \$195,000 for the purposes of funding operations. Both of these loans accrued no interest and were subsequently converted into a total of 34,681 shares of Series A-1 Preferred Stock in December 2023.

### **NOTE 4 – COMMITMENTS, CONTINGENCIES, COMPLIANCE WITH LAWS AND REGULATIONS**

We are currently not involved with or know of any pending or threatening litigation against the Company or any of its officers. Further, the Company is currently complying with all relevant laws and regulations. The Company does not have any long-term commitments or guarantees.

In 2023 and 2022, the Company entered into two (2) sublease agreements for office space. The first sublease commenced in February 2022 and ended June 2023, requiring monthly payments of \$5,167. The Company has not extended this sublease and subsequently entered into a new sublease agreement which commenced in June 2023 and

is scheduled to end in June 2024, requiring monthly payments of \$5,700. Management has not expressed any intent to renew this lease, resulting in no long-term commitments nor recognition of a right-of-use asset in accordance with ASC 842 (Leases). Future minimum payments are provided below:

Year Ending December 31,	Payment
2024	34,200
2025	-
2026	-
2027	-
2028	-
Thereafter	-

#### NOTE 5 – LIABILITIES AND DEBT

*Convertible Notes* – From 2019 through the period ending December 31, 2022, the Company has entered into several convertible note agreements for a total principal balance of \$2,962,507. The interest on these notes was 6.00%. The amounts were to be repaid at the demand of the holder prior to conversion with initial maturities in 2022; however, they have been extended and subsequently converted in November 2023 during the Company’s qualified equity financing event, resulting in a total ending balance, including principal and accrued interest, of \$3,422,778 as of December 31, 2022. The total principal balance of \$2,962,507, plus its accrued interest of \$621,463, converted into 2,103,278 shares of Series A Preferred Stock.

*Line of Credit* – The Company received a revolving line of credit with a maximum draw of \$19,380 carrying an APR of 26.49% that accrues upon any outstanding principal balance. The Company remains current on its monthly payments, resulting in a total ending balance of \$3,989 and \$4,983 as of December 31, 2023 and 2022, respectively.

*Revenue-based Financing* - In March 2023, the Company entered into a working capital agreement for \$60,000 with a fixed fee of \$9,175 and remittance rate of 30.00% applied towards future sales receivables until a total of \$69,175 is repaid by 2028. Minimum payments of \$3,458 are required every 90 days. The total ending balance of this loan was \$30,396 as of December 31, 2023.

*Notes Payable* - Throughout 2023, the Company entered into short-term working capital loans with 12-week terms and an APR of 20.19%. Equal monthly payments are required. The total ending balance of these loans was \$30,214 at December 31, 2023.

Please see Note 3 regarding advances from related parties.

#### Debt Summary

Debt Instrument Name	Principal Amount	Interest Rate	Maturity Date	For the Year Ended December 2023				For the Year Ended December 2022			
				Current Portion	Non-Current Portion	Total Indebtedness	Accrued Interest	Current Portion	Non-Current Portion	Total Indebtedness	Accrued Interest
Notes Payable - Related Party	99,000	0%	Upon Demand	99,000	-	99,000	-	85,000	-	85,000	-
Notes Payable	30,214	20.19%	2024	30,214	-	30,214	-	-	-	-	-
Revenue-based Financing	30,396	N/A	2028	13,832	16,564	30,396	-	-	-	-	-
Line of Credit	3,989	26.49%	N/A	3,989	-	3,989	-	4,983	-	4,983	-
Convertible Notes	-	6.00%	2023	-	-	-	-	2,962,507	-	2,962,507	460,271
<b>Total</b>				<b>147,035</b>	<b>16,564</b>	<b>163,600</b>	<b>-</b>	<b>3,052,490</b>	<b>-</b>	<b>3,052,490</b>	<b>460,271</b>

**Debt Principal Maturities 5  
Years Subsequent to 2023**

<b>Year</b>	<b>Amount</b>
2024	147,035
2025	13,832
2026	2,732
2027	-
2028	-
Thereafter	-

**NOTE 6 – EQUITY**

The Company has initially authorized 10,000,000 shares of Common Stock with a par value of \$0.001 prior to its amendment in November 2023, increasing these shares to 13,000,000 with the same par value per share. A total of 4,548,463 shares were issued and outstanding as of December 31, 2023 and 2022.

**Voting:** Holders of Common Stock are entitled to one vote per share.

**Dividends:** Holders of Common Stock are entitled to receive dividends when and if declared by the Board of Directors.

The Company has initially authorized 3,400,000 shares of Preferred Stock with a par value of \$0.001 prior to its amendment in November 2023, increasing these shares to 5,952,536 with the same par value per share. This total is comprised of 5,418,966 shares of Series A Preferred Stock and 533,570 shares of Series A-1 Preferred Stock.

A total of 5,418,966 and 3,315,688 shares of Series A Preferred Stock were issued and outstanding as of December 31, 2023 and 2022, respectively. A total of 533,570 and 0 shares of Series A-1 Preferred Stock were issued and outstanding as of December 31, 2023 and 2022, respectively.

**Voting:** Holders of Preferred Stock have 1 vote for every share of Common Stock they could own if converted.

**Dividends:** The holders of both Series A and A-1 Preferred Stock are entitled to receive dividends when and if declared by the Board of Directors on a pari passu basis according to the number of shares of Common Stock held by such holders. For this purpose, each holder of shares of Preferred Stock will be treated as holding the greatest whole number of shares of Common Stock then issuable upon conversion of all shares of Preferred Stock held by such holder. Dividends on Preferred Stock are in preference to and prior to any payment of any dividend on Common Stock and are not cumulative. No dividends have been declared as of December 31, 2023 or 2022.

**Conversion:** Holders of Preferred Stock have the right to convert shares into Common Stock at a rate of 1-to-1 at the discretion of the shareholder, or automatically in change of control events.

**Liquidation Preference:** In the event of any liquidation, dissolution or winding up of the Company, the holders of the Series A and A-1 Preferred Stock are entitled to receive prior to, and in preference to, any distribution to the Common Shareholders.

**NOTE 7 – SUBSEQUENT EVENTS**

The Company has evaluated events subsequent to December 31, 2023 to assess the need for potential recognition or disclosure in this report. Such events were evaluated through April 23, 2024, the date these financial statements were available to be issued.

In April 2024, the Company entered into a loan agreement for \$2 million. The drawn amount accrues interest at SOFR + 8%, subject to a SOFR floor of 3.5%, with a 3-year maturity. Payments are monthly, interest-only for the first 18 months, after which 3.75% of the principal is repaid quarterly until maturity. An additional 10bps of the drawn amount is due monthly as an administrative fee. Two additional tranches of \$750k and \$2.25 million are available; the first

can be drawn at the Company's discretion through November 2024, the second at mutual agreement of the parties through June 2025. As a condition to the receipt and use of these funds, the Company is to maintain a cash balance of \$600,000 at all times, thus restricting its use in operating activities.

In 2024, the Factor has received all outstanding receivables previously purchased, and the Company has closed such factoring arrangements (please see “Factoring Arrangements” note for further information).

The Company issued an additional 5,673 shares of common stock in exchange for \$31,896.

#### **NOTE 8 – GOING CONCERN**

The accompanying balance sheet has been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The entity has realized losses every year since inception, may continue to generate losses, and has experienced both negative cash flows from operating activities and negative working capital during the period under review. The Company’s ability to continue as a going concern in the next twelve months following the date the financial statements were available to be issued is dependent upon its ability to produce revenues and/or obtain financing sufficient to meet current and future obligations and deploy such to produce profitable operating results. Management has evaluated these conditions and plans to generate revenues and raise capital as needed to satisfy its capital needs. No assurance can be given that the Company will be successful in these efforts. These factors, among others, raise substantial doubt about the ability of the Company to continue as a going concern for a reasonable period of time. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities.

#### **NOTE 9 – RISKS AND UNCERTAINTIES**

The Company currently buys approximately 95% of its products for sale from one supplier. Although there are a limited number of manufacturers of hearing aids and accessories of the quality which the Company requires, other suppliers have been used in the past, and management believes those partnerships could be revived. A change in primary suppliers, however, could cause a temporary delay in shipment and a possible loss of sales, which would affect operating results adversely. The Company’s management continues to monitor its relationship with this supplier and believes there is no immediate risk of production instability.