

**BORDER X BREWING, LLC.**

Unaudited Financial Statements For The Years Ended December 31, 2017 and 2016

March 13, 2018



Jason M. Tyra  
C P A P L L C

### **Independent Accountant's Review Report**

To Management  
Border X Brewing, LLC  
San Diego, CA

We have reviewed the accompanying balance sheets of Border X Brewing, LLC as of December 31, 2017, and 2016, and the related statements of income, retained earnings, and 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 control 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 in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of my procedures provide a reasonable basis for our report.

#### ***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 conformity with accounting principles generally accepted in the United States of America.

Jason M. Tyra, CPA, PLLC  
Dallas, TX  
March 13, 2018

**BORDER X BREWING LLC  
BALANCE SHEET  
DECEMBER 31, 2017 AND 2016**

|  | <u>2017</u> | <u>2016</u> |
|--|-------------|-------------|
| <u>ASSETS</u>                          |             |             |
| <b>CURRENT ASSETS</b>                  |             |             |
| Cash                                   | \$ 25,180   | \$ 3,820    |
| Accounts Receivable                    | 8,566       | 3,554       |
| Inventory                              | -           | 5,888       |
| Prepaid Insurance                      | 792         | -           |
| TOTAL CURRENT ASSETS                   | 34,538      | 13,262      |
| <b>NON-CURRENT ASSETS</b>              |             |             |
| Leasehold Improvements                 | 25,368      | 25,368      |
| Machinery and Equipment, Net           | 84,332      | 87,265      |
| Deposits                               | 16,000      | 16,000      |
| TOTAL NON-CURRENT ASSETS               | 125,699     | 128,633     |
| TOTAL ASSETS                           | 160,237     | 141,895     |
| <u>LIABILITIES AND MEMBERS' EQUITY</u> |             |             |
| <b>CURRENT LIABILITIES</b>             |             |             |
| Accounts Payable                       | 5,025       | 4,838       |
| Other Current Liabilities              | 19,715      | 10,599      |
| Deferred Rent                          | 11,001      | 14,716      |
| TOTAL CURRENT LIABILITIES              | 35,741      | 30,153      |
| <b>NON-CURRENT LIABILITIES</b>         |             |             |
| Notes Payable                          | 91,088      | 97,857      |
| Due to Members                         | 189,599     | 182,299     |
| Interest Due to Members                | 5,404       | 2,702       |
| TOTAL LIABILITIES                      | 321,831     | 313,010     |
| <b>MEMBERS' EQUITY</b>                 |             |             |
| Contributed Capital                    | 120,000     | 120,000     |
| Retained Earnings (Deficit)            | (281,593)   | (291,114)   |
| TOTAL MEMBERS' EQUITY                  | (161,593)   | (171,114)   |
| TOTAL LIABILITIES AND MEMBERS' EQUITY  | \$ 160,237  | \$ 141,895  |

**BORDER X BREWING LLC**  
**INCOME STATEMENT**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

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|                                   | <u>2017</u> | <u>2016</u> |
|-----------------------------------|-------------|-------------|
| <b>Operating Income</b>           |             |             |
| Sales, Net                        | \$ 694,268  | \$ 360,326  |
| Cost of Goods Sold                | 153,832     | 92,509      |
| <b>Gross Profit</b>               | 540,436     | 267,817     |
| <b>Operating Expense</b>          |             |             |
| Payroll                           | 173,963     | 112,955     |
| General & Administrative          | 138,155     | 88,660      |
| Rent                              | 80,167      | 98,191      |
| Advertising                       | 94,983      | 26,178      |
| Merchant fees                     | 19,506      | 11,740      |
| Depreciation                      | \$ 18,933   | \$ 18,046   |
|                                   | 525,707     | 355,770     |
| <b>Net Income from Operations</b> | 14,729      | (87,953)    |
| <b>Other Income (Expense)</b>     |             |             |
| Interest Expense                  | (5,208)     | (4,436)     |
| <b>Net Income</b>                 | \$ 9,521    | \$ (92,389) |

**BORDER X BREWING LLC**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

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|   | <u>2017</u> | <u>2016</u> |
|---|-------------|-------------|
| <b>Cash Flows From Operating Activities</b>     |             |             |
| Net Income (Loss) For The Period                | \$ 9,521    | \$ (92,389) |
| Depreciation                                    | \$ 18,933   | \$ 18,046   |
| Change in Accounts Receivable                   | (5,012)     | (3,554)     |
| Change in Inventory                             | 5,888       | (5,888)     |
| Change in Other Assets                          | (791)       | -           |
| Change in Accounts Payable                      | 6,476       | 4,838       |
| Changes in Taxes Payable                        | 5,623       | 7,803       |
| Change in Other Liabilities                     | (2,796)     | 2,796       |
| Deferred Rent                                   | (3,715)     | 14,716      |
| <b>Net Cash Flows From Operating Activities</b> | 34,127      | (53,632)    |
| <b>Cash Flows From Investing Activities</b>     |             |             |
| Machinery and equipment                         | (16,000)    | (82,265)    |
| <b>Net Cash Flows From Investing Activities</b> | (16,000)    | (82,265)    |
| <b>Cash Flows From Financing Activities</b>     |             |             |
| Change in Note Payable                          | 531         | 130,357     |
| Change in Interest Payable                      | 2,702       | 2,702       |
| <b>Net Cash Flows From Investing Activities</b> | 3,233       | 133,059     |
| <b>Cash at Beginning of Period</b>              | 3,820       | 6,657       |
| <b>Net Increase (Decrease) In Cash</b>          | 21,360      | (2,838)     |
| <b>Cash at End of Period</b>                    | \$ 25,180   | \$ 3,820    |

**BORDER X BREWING LLC  
STATEMENT OF EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

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|                                  | <u>2017</u>         | <u>2016</u>         |
|----------------------------------|---------------------|---------------------|
| <b>BEGINNING MEMBERS' EQUITY</b> | (171,114)           | (78,725)            |
| Change in Contributed Capital    | -                   | -                   |
| Net Income(Loss)                 | 9,521               | (92,389)            |
| <b>ENDING EQUITY</b>             | <u>\$ (161,593)</u> | <u>\$ (171,114)</u> |

BORDER X BREWING, LLC.  
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)  
DECEMBER 31, 2017 AND 2016

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NOTE A- ORGANIZATION AND NATURE OF ACTIVITIES

Border X Brewing, Inc. (“the Company”) is a corporation organized under the laws of the State of California. The Company operates a brewery and a taproom.

The Company will conduct an equity crowdfunding offering during calendar year 2018 for the purpose of raising operating capital. The Company’s ability to continue as a going concern or to achieve management’s objectives may be dependent on the outcome of the offering or management’s other efforts to raise operating capital.

NOTE B- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”).

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, 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.

Revenue

The Company earns revenue primarily from sale of beer to customers. The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, or services have been rendered, the fee for the arrangement is fixed or determinable and collectability is reasonably assured.

Rent

The Company occupies brewery and taproom space under a non-cancellable operating lease arrangement. Future minimum payments due under the lease are as follows. The company also paid a security deposit of \$16,000 at the commencement of the lease, which it expects to recover if the lease is terminated.

|      |          |
|------|----------|
| 2018 | \$65,400 |
| 2019 | \$67,200 |

BORDER X BREWING, LLC.  
NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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Fixed Assets

The Company capitalizes assets with a useful life of one year or more, and an original purchase price of \$1,000. Depreciation is calculated on a straight-line basis over management's estimate of each asset's useful life. The Company's fixed assets consists of brewing and bottling equipment and serving equipment. See NOTE C- DEBT for financing information.

Advertising

The Company records advertising expenses in the year incurred.

Income Taxes

The Company applies ASC 740 Income Taxes ("ASC 740"). Deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial statement reported amounts at each period end, based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. The provision for income taxes represents the tax expense for the period, if any and the change during the period in deferred tax assets and liabilities. ASC 740 also provides criteria for the recognition, measurement, presentation and disclosure of uncertain tax positions. A tax benefit from an uncertain position is recognized only if it is "more likely than not" that the position is sustainable upon examination by the relevant taxing authority based on its technical merit.

The Company is subject to tax filing requirements as a partnership in the federal jurisdiction of the United States. As such, all items of income and expense will be reported by the members on their individual tax returns. The Company's federal tax filings for tax years 2015, 2016, and 2017 will remain subject to review by that State until 2019, 2020, and 2021, respectively.

The Company is subject to franchise and income tax filing requirements in the State of California. The Company's tax filings in the State of California for 2015, 2016, and 2017 remain subject to review by that State until 2020, 2021, and 2022, respectively.

NOTE C- DEBT

The Company entered into agreement with Axis Capital, Inc. to purchase brewing and bottling equipment. The equipment was placed into service in 2017. The following future payments are as follows.

| <u>Year</u> | <u>Amount Due</u> |
|-------------|-------------------|
| 2018        | \$21,663          |
| 2019        | \$21,663          |
| 2020        | \$21,663          |
| 2021        | \$16,248          |



BORDER X BREWING, LLC.  
NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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NOTE D- MEMBER LIABILITY

The Company is organized as a limited liability company. As such, member liability for the obligations of the Company is limited to each member's contribution of capital.

NOTE E- CONCENTRATIONS OF RISK

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents. The Company places its cash and cash equivalents with a limited number of high quality financial institutions and at times may exceed the amount of insurance provided on such deposits.

NOTE F- RELATED PARTY TRANSACTIONS

During the years ended December 31, 2016, and 2017, the Company borrowed money from its members for the purpose of funding continuing operations (amounts "Due to Members"). Amounts Due to Members are unsecured, accrue interest at a rate of 2.85% annually, and have are payable at a date in the future to be determined by the Company's management.

NOTE G- SUBSEQUENT EVENTS

Management considered events subsequent to the end of the period but before March 13, 2018, the date that the financial statements were available to be issued.