

INNOVATIVE HOLDINGS ALLIANCE, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

For the Three Months Ended August 31, 2016

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R. J. GOLD & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

ACCOUNTANTS' COMPILATION REPORT

To Management
Innovative Holdings Alliance, Inc.
Alpharetta, Georgia

Management is responsible for the accompanying consolidated financial statements of Innovative Holdings Alliance, Inc. (a corporation) and its subsidiaries, which comprise the consolidated balance sheet as of August 31, 2016 and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for the three months then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the consolidated financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these consolidated financial statements.

We are not independent with respect to Innovative Holdings Alliance, Inc.

R. J. Gold & Company, P.C.

R. J. Gold & Company, P.C.
Burlington, Massachusetts
September 29, 2016

INNOVATIVE HOLDINGS ALLIANCE, INC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

August 31, 2016
(Unaudited)

ASSETS

CURRENT ASSETS

Cash	\$ 5,681
Advanced expenses - shareholder	<u>63,576</u>

TOTAL CURRENT ASSETS	<u>69,257</u>
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OTHER ASSETS

Investment	<u>5,000</u>
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TOTAL OTHER ASSETS	<u>5,000</u>
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TOTAL ASSETS	<u><u>\$ 74,257</u></u>
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LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Accrued payroll	\$ 259,500
Other accrued expenses	22,104
Stock deposits	32,000

TOTAL CURRENT LIABILITIES/TOTAL LIABILITIES	<u>313,604</u>
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STOCKHOLDERS' EQUITY

Series A Preferred shares, \$.001 par value, 500,000 shares authorized; 500 shares issued and outstanding at August 31, 2016	1
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Series B Convertible shares, \$.001 par value, 500,000 shares authorized; 0 shares issued and outstanding at August 31, 2016	-
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Common shares, \$.001 par value, 500,000,000 shares authorized, 17,155,429 shares issued and outstanding at August 31, 2016	171,554
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Additional paid in capital	833,826
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Accumulated deficit	(1,244,728)
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TOTAL STOCKHOLDERS' EQUITY	<u>(239,347)</u>
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TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u><u>\$ 74,257</u></u>
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See Accompanying Notes and Accountants' Compilation Report

INNOVATIVE HOLDINGS ALLIANCE, INC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS

For the Three Months Ended August 31, 2016
(Unaudited)

REVENUE	
Fees for services	\$ -
OPERATING EXPENSES	18,608
TOTAL OPERATING EXPENSES	<u>18,608</u>
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	(18,608)
PROVISION FOR INCOME TAXES	-
NET INCOME (LOSS)	<u>\$ (18,608)</u>
ALLOCATION OF NET INCOME (LOSS) TO SHAREHOLDERS:	
Preferred shareholders based on cumulative dividend	\$ -
Common shareholders	<u>(18,608)</u>
	<u>\$ (18,608)</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES:	
Basic	<u>\$ 17,155,429</u>
Diluted	<u>\$ 17,155,429</u>

See Accompanying Notes and Accountants' Compilation Report

INNOVATIVE HOLDINGS ALLIANCE, INC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)

For the Three Months Ended August 31, 2016

	Series A Preferred Shares \$.001 Par Value		Series B Preferred Shares \$.001 Par Value		Common Shares \$.001 Par Value		Additional Paid In Capital	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount			
BALANCES, May 31, 2016	500	\$ 1	-	\$ -	17,155,429	\$ 157,245	\$ 848,135	\$ (1,226,120)	\$ (220,739)
Restatement of values	-	-	-	-	-	14,309	(14,309)	-	-
Net income (loss)	-	-	-	-	-	-	-	(18,608)	(18,608)
BALANCES, August 31, 2016	<u>500</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>17,155,429</u>	<u>171,554</u>	<u>833,826</u>	<u>(1,244,728)</u>	<u>(239,347)</u>

See Accompanying Notes and Accountants' Compilation Report

INNOVATIVE HOLDINGS ALLIANCE, INC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

For the Three Months Ended August 31, 2016
(Unaudited)

Cash flows from operating activities:	
Net income (loss) attributable to common shareholders	\$ (18,608)
Adjustments to reconcile net income (loss) to net cash flows used in operating activities	
Increase in accrued payroll	13,500
Increase in other accrued expenses	2,065
Net cash used for operating activities	<u>(3,043)</u>
Cash flows from financing activities:	
Increases in stock deposits received	15,000
Increase in advanced expenses to stockholders	(7,702)
Net cash from financing activities	<u>7,298</u>
Net increase in cash	4,255
Cash at beginning of period	1,426
Cash at end of period	<u><u>\$ 5,681</u></u>
Cash paid for interest	\$ -
Cash paid for income taxes	\$ -

See Accompanying Notes and Accountants' Compilation Report

INNOVATIVE HOLDINGS ALLIANCE INC. AND SUBSIDIARIES
NOTES TO UNAUDITED FINANCIAL STATEMENTS
(Unaudited)

August 31, 2016

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES

Nature of Operations

Innovative Holdings Alliance, Inc. (“IHAI”) was organized on February 24, 2011 under the laws of the State of Delaware. The Company has instituted a plan to participate in and acquire interests that are leading edge in their respective market niches and have expectations of enhancing shareholder value.

Basis of Presentation

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. These financial statements represent the Company’s financial position at August 31, 2016 and results of operations for the three months then ended.

Principles of Consolidation

The accompanying consolidated financial statements for the three months ended August 31, 2016 include the accounts of Innovative Holdings Alliance, Inc. and its wholly-owned and majority owned subsidiaries. All significant intercompany balances and transactions have been eliminated in the accompanying consolidated financial statements.

Use of Estimates

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 amount 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 reported period. Estimates include the valuation on deferred tax assets and valuation of stock issued for services. Actual results could differ from those estimates.

Cash and Cash Equivalents

IHAI considers all highly liquid cash investments to with an original maturity of twelve months or less to be cash equivalents. At August 31, 2016, the Company had no cash equivalents. Cash shown on the balance sheet consists of deposits held in a major financial institution. All cash accounts were within the insured limits at all times during the three months ended August 31, 2016.

INNOVATIVE HOLDINGS ALLIANCE INC. AND SUBSIDIARIES
NOTES TO UNAUDITED FINANCIAL STATEMENTS
(Unaudited)

August 31, 2016

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)

Income Taxes

The Company accounts for income taxes under the liability method as prescribed by Professional Standards. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted rates expected to be in effect during the three months in which the basis difference reverses. The reliability of deferred tax assets are evaluated annually and a valuation allowance is provided if it is more likely than not that the deferred tax assets will not give rise to future benefits in the Company's tax returns.

The Company has assessed the likelihood of utilization of the deferred tax assets in light of recent losses. As a result of this assessment, all existing deferred tax assets have been fully reserved.

Accounting for Uncertain Tax Positions

The Company follows Professional Standards in applying Accounting for Uncertainty in Income Taxes. IHAI accounts for the effect of any uncertain tax positions in the financial statements based on a "more likely than not" basis, such that current or deferred tax assets or liabilities are immediately recognized when the related uncertain tax position is taken or expected to be taken. Any changes in uncertain tax positions are recorded in the period the outcome becomes known.

Management has evaluated significant tax positions against the criteria established by professional standards and believes that there are no such positions requiring accounting recognition as of August 31, 2016. None of the company's federal or state income tax returns are currently under examination by the Internal Revenue Service or state authorities. The company had no revenues for the year ended May 31, 2016 and did not file a tax return for that period.

Advertising and Marketing Costs

The Company employs outside agencies for the purpose of marketing and promotion. Expenses for these purposes are expenses as incurred. Marketing expenses were not incurred during the three month period ended August 31, 2016.

NOTE 2 – INVESTMENT

During 2015, the Company advanced funds totaling \$5,000 as an initial investment in a joint venture with a strategic partner. The advance has been capitalized and is shown as an investment on the consolidated balance sheet. No revenues from the joint venture were recognized during the three month period ended August 31, 2016.

INNOVATIVE HOLDINGS ALLIANCE INC. AND SUBSIDIARIES
NOTES TO UNAUDITED FINANCIAL STATEMENTS
(Unaudited)

August 31, 2016

NOTE 3 – ACCRUED SALARIES

IHAI has entered into employment agreements with certain executives of the corporation. Accrued salaries totaled \$259,500 at August 31, 2016 and are reflected on the balance sheet as accrued payroll. No compensation has been paid to any executive during the three month period ended August 31, 2016..

NOTE 4 – STOCK DEPOSITS

Stock deposits represent advance and partial payments for shares of stock for which full payment has not yet been received and stock certificates have not yet been issued. At August 31, 2016, deposits totaling \$32,000 are recorded as current liabilities, as payment of the remaining balance due and issuance of certificates is anticipated within the following twelve months.

NOTE 5 – STOCKHOLDERS' DEFICIT

Preferred Shares

The authorized preferred stock of the Company consists of 20,000,000 shares, \$.001 par value. The preferred stock may be issued in separate series from time to time as the Board of Directors of the Company may determine by resolution, unless the nature of a particular transaction and applicable statutes require shareholder approval. The rights, preferences and limitations of each series of preferred stock may differ, including without limitation, the rate of dividends, method and nature of payment of dividends, terms of redemption, amounts payable on liquidation, sinking fund provisions (if any) conversion rights (if any) and voting rights.

Series A Preferred Stock

In connection with an amendment to the articles of incorporation of the Company, the Company authorized 500,000 shares of \$.001 par value Series A Preferred Stock ("Series A Stock"). The Series A Stock are entitled to no dividends and the Company has no redemptive right. The holders of the Series A Stock have the right to vote on any matter and the holders of the shares shall have the number of votes equal to that number of common shares which is not less than 60% of the vote required to approve any action. At August 31, 2016, the Company had 500 shares of Series A Stock issued and outstanding.

INNOVATIVE HOLDINGS ALLIANCE INC. AND SUBSIDIARIES
NOTES TO UNAUDITED FINANCIAL STATEMENTS
(Unaudited)

August 31, 2016

NOTE 5 – STOCKHOLDERS’ DEFICIT (continued)

Series B Preferred Stock

In connection with an amendment to the articles of incorporation of the Company, the Company authorized 500,000 shares of \$.001 par value Series B Preferred Convertible Stock (“Series B Stock”). At the option of the holder, the shares are convertible into 100 shares of common stock for each share of Series B Stock. The holders of such Series B Stock are entitled to receive cumulative cash dividends equal to 15% of the issue price per share, payable quarterly beginning September 30, 2011 and continuing until the Series B Stock is redeemed or converted. In the event that the dividends are not paid in any period, the dividends accumulate and must be paid prior to dividends on the common stock or any other class of stock junior to the Series B Stock, except for the Series A Stock. At August 31, 2016 the Company had no shares of Series B Stock issued and outstanding; therefore, no dividends have been accrued.

Common Shares

The Company is authorized to issue 500,000,000 shares of \$.001 voting common stock.

At August 31, 2016, the Company has 17,155,429 shares of common stock issued and outstanding.

NOTE 6 – RELATED PARTIES

Advances due to Shareholders

Certain shareholders of IHAI have advanced, and have been advanced, funds to the Company and its subsidiaries to support ongoing operations. During the three month period ended August 31, 2016, advances to shareholders increased by \$7,702. This amount represents total advances to shareholders of \$10,302 less repayments of \$2,600. As of August 31, 2016, the total amount advanced to shareholders was \$63,576. The advances are not subject to formal repayment terms.

Management has evaluated the collectability of the outstanding advances and believes that they are fully collectible. Therefore, no reserve or allowance has been recorded.

NOTE 7– FUTURE MINIMUM LEASE PAYMENTS

Office and Facilities

The Company leases office space on a month to month basis. Therefore, no minimum obligation for lease payments is reflected in the financial statements. Rent expense paid totaled \$87 for the period ended August 31, 2016.

INNOVATIVE HOLDINGS ALLIANCE INC. AND SUBSIDIARIES
NOTES TO UNAUDITED FINANCIAL STATEMENTS
(Unaudited)

August 31, 2016

NOTE 8 – SUBSEQUENT EVENTS

Date of Management Review

In preparing the financial statements, the Company has considered disclosure of events that have occurred after August 31, 2016 through the date the financial statements were issued on September 29, 2016.