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Haynie & Company
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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of PCS Edventures!, Inc.

We have audited the accompanying financial statements of PCS Edventures!, Inc. which comprise the balance sheet as of March 31, 2019, and the related statements of income, retained earnings, and cash flows for the year then ended, and the related notes to the financial statements.

**Consideration of the Company's Ability to Continue as a Going Concern**

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has suffered historical losses from operations and its historical cash flow from operations has been insufficient to meet current needs. This raises substantial doubt about the Company's ability to continue as a going concern. Management's plans in regards to this matter are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty

**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.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States) and in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amount and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

**Basis for Qualified Opinion**

We did not observe the taking of the physical inventories at March 31, 2018, since the date was prior to the time we were initially engaged as auditors for the Company. We were unable to obtain sufficient appropriate audit evidence about inventory quantities by other auditing procedures.

**Qualified Opinion**

In our opinion, except for the possible effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of PCS Edventures!, Inc. as of March 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Haynie & Company

We have served as PCS Edventures!, Inc.'s auditor since 2019

Salt Lake City, Utah
June 28, 2019

**PCS EDVENTURES!, INC.**
**Balance Sheets**

| | As of March 31, | |
|---|---|---|
| | **2019** | **2018 (unaudited)** |
| **CURRENT ASSETS** | | |
| Cash | $ 97,146 | $ 59,162 |
| Accounts receivable, net of allowance for doubtful accounts of $6,447 and $0, respectively | 772,265 | 1,178,946 |
| Prepaid expenses | 16,832 | 129,458 |
| Inventory | 618,721 | 354,878 |
| **Total Current Assets** | **1,504,964** | **1,722,444** |
| **Property, Plant, Equipment and Software**, net of accumulated depreciation of $177,446 and $177,446, respectively | - | - |
| **GOODWILL** | - | 1,270 |
| **OTHER ASSETS** | | |
| Note Receivable | - | 21,198 |
| Deposits | 6,300 | 6,725 |
| Total Other Assets | 6,300 | 29,193 |
| **TOTAL ASSETS** | $ 1,511,264 | $ 1,751,637 |
| **CURRENT LIABILITIES** | | |
| Accounts payable and other current liabilities | $ 271,185 | $ 472,042 |
| Payroll liabilities payable and accrued expenses | 107,792 | 159,424 |
| Deferred revenue | 314,835 | 561,253 |
| Notes payable | 148,826 | 307,990 |
| Notes payable, convertible | 90,696 | 90,696 |
| Notes payable, related party | 1,738,327 | 2,417,679 |
| **Total Current Liabilities** | **2,671,661** | **4,009,084** |
| Notes payable, long term, net of $17,749 and $0 debt discount, respectively | 82,251 | 58,200 |
| **Total Liabilities** | **2,753,912** | **4,067,284** |
| **STOCKHOLDERS' (DEFICIT)** | | |
| Preferred stock, no par value, 20,000,000 authorized shares, no shares issued and outstanding | - | - |
| Common stock, no par value, 150,000,000 authorized shares, 123,482,479 and 111,653,715 shares issued and outstanding, Respectively | 40,543,996 | 40,218,883 |
| Restricted stock payable | - | 103,339 |
| Accumulated deficit | (41,786,644) | (42,637,869) |
| Total Stockholders' (Deficit) | (1,242,648) | (2,315,647) |
| **TOTAL LIABILITIES AND STOCKHOLDERS' (DEFICIT)** | $ 1,511,264 | $ 1,751,637 |

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

**PCS EDVENTURES!, INC.**
**Statements of Operations**

| | For the years ended March 31, 2019 | 2018 (unaudited) |
|---|---|---|
| **REVENUES** | | |
| Core product revenue | $ 4,792,101 | $ 1,982,239 |
| Learning Center revenue | - | 16,533 |
| License and Royalty revenue | 1,161 | 8,198 |
| International contract revenue | 53,999 | 1,286,369 |
| **Total Revenues** | **4,874,261** | **3,293,439** |
| COST OF SALES | 2,276,656 | 2,252,116 |
| GROSS PROFIT | 2,570,605 | 1,041,324 |
| **OPERATING EXPENSES** | | |
| Salaries and wages | 823,653 | 903,934 |
| Depreciation and amortization expense | - | 8.623 |
| General and administrative expenses | 632,166 | 634,315 |
| Total Operating Expenses | 1,455,819 | 1,546,872 |
| OPERATING INCOME (LOSS) | 1,114,786 | (505,548) |
| **OTHER INCOME AND (EXPENSES)** | | |
| Interest expense | (270,328) | (358,836) |
| Other income | 6,767 | - |
| Net Other Expense | (263,561) | (358,836) |
| NET INCOME (LOSS) | 851,225 | (864,384) |
| Net Income (loss) per common share: | | |
| Basic | $0.01 | (0.01) |
| Fully Diluted | $0.01 | (0.01) |
| Weighted Average (WA) # of shares outstanding | | |
| Basic | 115,871,518 | 107,687,354 |
| Fully diluted | 116,390,749 | 108,440,709 |

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

**PCS Edventures!, Inc.**
**Statement of Stockholder's (Deficit)**

| | # of Common Shares O/S | Common Stock | Stock Payable | Accumulated Deficit | Stockholders' Equity |
|---|---|---|---|---|---|
| **Balance at 3/31/2017 (unaudited)** | **100,308,372** | **39,664,770** | **-** | **(41,773,485)** | **(2,108,715)** |
| Conversion of interest payable for stock payable | - | - | 103,340 | - | 103,339 |
| Conversion of interest payable for common stocks | 7,777,978 | 388,899 | - | - | 388,899 |
| Common stock for exercise of options | 33,803 | - | - | - | - |
| Option expense | - | 23,872 | - | - | 23,872 |
| Common stock for private sale | 3,533,562 | 141,342 | - | - | 141,342 |
| Net income (loss) | | - | - | (864,384) | (864,384) |
| **Balance at 3/31/2018 (unaudited)** | **111,653,715** | **40,218,883** | **103,340** | **(42,637,869)** | **(2,315,647)** |
| Stock repurchase | (1,000,000) | (25,000) | - | - | (25,000) |
| Conversion of interest payable for common stocks | 12,828,764 | 284,708 | (103,340) | - | 181,368 |
| Option expense | - | 42,657 | - | - | 42,657 |
| Warrant expense | - | 22,748 | - | - | 22,748 |
| Net income (loss) | - | - | - | 851,225 | 851,225 |
| **Balance at 3/31/2019** | **123,482,479** | **40,543,996** | **-** | **(41,786,644)** | **(1,242,648)** |

The accompanying notes are an integral part of these financial statements

**PCS EDVENTURES!, INC.**
**Statements of Cash Flows**

| | | For the years ended March 31, |
|---|---|---|
| | 2019 | 2018 (unaudited) |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| NET INCOME (LOSS) | $ 851,225 | $ (864,384) |
| Depreciation and amortization expense | - | 8,621 |
| Amortization of debt discount | 4,999 | - |
| Amortization of fair value of stock options | 42,657 | 23,872 |
| Accounts payable converted to note | - | 77,451 |
| Changes in operating assets and liabilities | | |
| (Increase) decrease in accounts receivable | 406,682 | (759,781) |
| (Increase) decrease in prepaid expenses | 112,626 | 11,591 |
| (Increase) decrease in inventories | (263,843) | 163,878 |
| (Increase) decrease in other current assets | 22,893 | 5,455 |
| (Decrease) increase in accounts payable and accrued liabilities | (71,120) | (356,141) |
| Increase Decrease in unearned revenue | (246,418) | 557,078 |
| Net Cash provided by (used in) Operating Activities | 859,701 | (1,132,360) |
| | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Cash paid for purchase of fixed assets | | |
| Net Cash Used by Investing Activities | - | - |
| | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from sale of stock | - | 141,342 |
| Repurchase of restricted stock | (25,000) | - |
| Principal payments on bank line of credit | - | (14,096) |
| Proceeds from notes payable, related party | 375,837 | 910,050 |
| Principal payments on debt | (1,172,553) | 119,480 |
| Net Cash Provided by (used in) Financing Activities | (821,716) | 1,156,776 |
| | | |
| Net Increase in Cash | 37,984 | 24,416 |
| Cash at Beginning of Year | 59,162 | 34,746 |
| Cash at End of Year | 97,146 | 59,162 |
| | | |
| **NON-CASH INVESTING & FINANCING ACTIVITIES** | | |
| Common stock for conversion of interest (stock payable) | | 103,340 |
| Common stock issued for conversion of interest payable | 284,708 | 388,899 |
| Accounts payable for inventory converted to note payable | | 77,451 |
| | | |
| **CASH PAID FOR:** | | |
| Interest | $173,092 | $143,189 |

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

**NOTE 1 - DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES**

*Description of Business*

The financial statements presented are those of PCS Edventures!, Inc., an Idaho corporation, ("PCS," "PCSV," "we," "our," "us" or similar words) incorporated in 1994, in the State of Idaho. PCS specializes in experiential, hands-on, K12 education and drone technology. PCS has extensive experience and intellectual property (IP) that includes robotics software and hardware, product designs, and K12 curriculum content. PCS continually develops new educational products based upon market needs that the Company identifies through its sales and customer networks.

PCS educational products and Thrust-UAV drone products are developed from both in-house efforts and contracted services. They are marketed through reseller channels, direct sales efforts, partner networks, and web-based strategies.

PCS has developed and sells a variety of STEM education products into the K12 market which can be categorized as follows:

1. Enrichment Camps – These camps are for the informal learning market and are designed to be highly engaging for students while easily administered by the instructor. The Company currently offers approximately 30 different camps and develops at least two new camps each year. Some of the more popular camps include *Ready, Set, Drone! Camp*; *Cubelets BOT Builder Camp*; *Pirate Camp*; *Claymation Camp*; *Simple Machines Camp*; *The Science of Super Powers Camp*; *Survivor Camp*; *Flight and Aerodynamics Camp*; *BrickLAB Zoo Camp*; *Blocksmith Camp*; and *DroneBlocks Camp*.

2. Discover Series Products – These products are designed for the makerspace environment and include engaging STEM activities that motivates students to pursue educational pathways toward STEM careers. The Discover Series includes *Discover Engineering*; *Discover Robotics & Physics*; *Discover Robotics & Programming*; *Discover Cubelets*; *and Discover STEM.*

3. BrickLAB Products – These products are designed for the grade school market and use the Company's proprietary bricks and curriculum to engage students to explore, imagine, and create within a STEM education framework. The Company offers a variety of grade-specific BrickLAB products.

4. Discover Drones, Add-on Drone Packages and Ala Carte Drone Items – These products are designed around using drones as a platform for STEM education and career exploration. These titles include the *Discover Drones* series of Products; *Discover Drones Indoor Coding Bundle*; *Discover Drones Indoor Racing Add-On*; *Discover Drones Outdoor Practice Add-on*; and all the spare parts and ala carte drone items offered in the Company's comprehensive drone packages.

5. Professional Development Training – The Company offers professional development trainings, for a fee, to educators who are implementing the Company's products in their classroom.

The Company also sells non-educational drone-related products, marketed and sold under the Company's Thrust-UAV brand, to commercial entities and retail consumers. The Company develops and sells its own proprietary products and resells third-party drone products.

The Company intends to continue developing STEM education products, as well as commercial and retail products using drone-related technology, that address demand from large markets.

Accounting Method

The Company's financial statements are prepared using the accrual method of accounting. The Company has elected a March 31 fiscal year end.

*Cash and Cash Equivalents*

Cash and cash equivalents, totaling $97,146 and $59,162 at March 31, 2019 and 2018, respectively, consist of operating accounts. For purposes of the statements of cash flows, the Company considers all highly-liquid financial instruments with original maturities of three months or less at date of purchase to be cash equivalents.

*Use of Estimates*

The preparation of these financial statements in conformity with Generally Accepted Accounting Principles ("GAAP") requires Management to make estimates and assumptions that affect the 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. The Company's significant estimates include reserves related to accounts receivable and inventory, the valuation allowance related to deferred tax assets, the valuation of equity instruments, and debt discounts.

*Concentration of Credit Risks and Significant Customers*

The Company extends credit to customers and is therefore subject to credit risk. Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of trade receivables. In the normal course of business, the Company provides credit terms to its customers. Accordingly, the Company performs ongoing credit evaluations of its customers and maintains allowances for possible losses which when realized have been within the range of Management's expectations. An allowance for doubtful accounts is recorded to account for potential bad debts. Estimates are used in determining the allowance for doubtful accounts and are based upon an assessment of selected account, historic averages, and as a percentage of remaining accounts receivable by aging category. In determining these percentages, the Company evaluates historical write-offs, and current trends in customer credit quality, as well as changes in credit policies. The Company does not require collateral from its customers. The Company has established an allowance for doubtful accounts of $6,447 and $2,196 for the Fiscal Years ended March 31, 2019 and 2018, respectively.

*Inventory*

Finished goods inventory is composed of items produced in-house, as well as items from outside suppliers. These items include, but are not limited to, K'NEX manipulatives, Fischertechnik® manipulatives, Brick manipulatives, drone components, digital media equipment, furniture units, curriculum, and other miscellaneous items used in our various labs. Our inventory is carried at the lower of cost or market and valued using the average cost method for each item.

When indicators of inventory impairment exist, the Company measures the carrying value of the inventory against its market value, and if the carrying value exceeds the market value, the inventory value is adjusted down accordingly. For the years ended March 31, 2019 and 2018, the Company increased the provision for excess and obsolete inventory reserve to $8,340 from $7,694, respectively.

*Property, Plant and Equipment*

Depreciation on property, plant and equipment is computed using the straight-line method over the estimated useful life of the asset.

Leasehold improvements are amortized over the shorter of the life of the lease or the service life of the improvements. Maintenance, repairs, and renewals that neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Gains or losses on dispositions of property and equipment are included in the results of operations.

Educational Software

The Company has internally developed education computer programs and student exercises to be accessed on the Internet. In accordance with financial accounting standards pertaining to internally developed software, the costs associated with research and initial feasibility of the programs and student exercises are expensed as incurred. Once economic feasibility has been determined, the costs to develop the programs and student exercises are capitalized until the software is ready for sale. At that point, the development costs are reported at the lower of unamortized cost or net realizable value. Capitalized programs and student exercise inventory items are amortized on a straight-line basis over the estimated useful life of the program or exercise, generally 24 to 48 months.

Intellectual Property

The Company's intellectual property consists of capitalized costs associated with the development of the Internet software and delivery platform developed by the Company to enable access to the various educational programs and exercises developed by the Company. In accordance with generally accepted accounting standards as discussed previously regarding inventory, the initial costs associated with researching the delivery platform and methods were expensed until economic feasibility and acceptance were determined. Thereafter, costs incurred to develop the Internet online delivery platform and related environments were capitalized until ready for sale. Costs incurred thereafter to maintain the delivery and access platform are expensed as incurred. These capitalized costs are amortized on a straight-line basis over the estimated useful life of the Company's delivery and access platform, which has been determined to be 60 months.

*Impairment of Long-Lived Assets*

Long-lived assets are reviewed for impairment annually, or when events or circumstances arise that indicate the existence of impairment for patents and other intangibles. There was no impairment recorded during the Fiscal Years ended March 31, 2019 and 2018.

*Income Taxes*

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rate is recognized in income in the period that includes the enactment date.

*Revenue Recognition*

We account for revenue in accordance with FASB ASC 606, *Revenue from Contracts with Customers*, which we adopted on April 1, 2018. Prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under Topic 605. Revenue amounts presented in our financial statements are recognized net of sales tax, value-added taxes, and other taxes. Amounts received as prepayment on future products or services are recorded as unearned revenues and recognized as income when the product is shipped or service performed.

We had deferred revenue of $314,835 for the Fiscal Year ending March 31 2019 related to contractual commitments with customers where the performance obligation will be satisfied within the following Fiscal Year ending March 31, 2020. The revenue associated with these performance obligations is recognized as the obligation is satisfied. We did not have a material change in financial position, results of operations, or cash flows and therefore there is no cumulative impact recorded to opening equity.

Most of our contracts with customers contain transaction prices with fixed consideration, however, some contracts may contain variable consideration in the form of discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties and other similar items. When a contract includes variable consideration, we evaluate the estimate of variable consideration to determine whether the estimate needs to be constrained; therefore, we include the variable consideration in the transaction price only to the extent that it is probable that a significant reversal of the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. We recognize revenue when we satisfy a performance obligation by transferring control over a product or service to a customer. This can result in recognition of revenue over time as we perform services or at a point in time when the deliverable is transferred to the customer, depending on an evaluation of the criteria for over time recognition in FASB ASC 606. For certain fixed-fee per transaction contracts, such as delivering training courses or conducting workshops, revenue is recognized during the period in which services are delivered in accordance with the pricing outlined in the contracts.

*Stock-Based Compensation*

We recognize stock-based compensation expense under the provisions of ASC 718, Compensation —Stock Compensation ("ASC 718"). We use the Black-Scholes option pricing model to calculate the fair value of stock options at their respective grant date. The use of option valuation models requires the input of highly subjective assumptions, including the expected stock price volatility and the expected term of the option. The fair value of restricted stock awards is the fair market value on the date of grant. We recognize these compensation costs on a straight-line basis over the requisite service period, which is generally the vesting period of the award. During the Fiscal Year 2019, we granted stock options, resulting in increased option expense that will be recognized over the stated periods.

*Business Segments and Related Information*

GAAP establishes standards for the way public business enterprises are to report information about operating segments in annual financial statements and requires enterprises to report selected information about operating segments in interim financial reports issued to shareholders. It also establishes standards for related disclosure about products and services, geographic areas and major customers. The Company currently operates in one business segment.

*Net Earnings (Loss) Per Share of Common Stock*

The Company calculates net income (loss) per share in accordance with ASC 260, Earnings Per Share ("ASC 260"). Under ASC 260, basic net income (loss) per common share is calculated by dividing net income (loss) by the weighted-average number of common shares outstanding during the reporting period. The weighted average number of shares of common stock outstanding includes vested restricted stock awards. Diluted net income (loss) per share ("EPS") reflects the potential dilution that could occur assuming exercise of all dilutive unexercised stock options and warrants. The dilutive effect of these instruments was determined using the treasury stock method. Under the treasury stock method, the proceeds received from the exercise of stock options and restricted stock awards, the amount of compensation cost for future service not yet recognized by the Company and the amount of tax benefits that would be recorded as income tax expense when the stock options become deductible for income tax purposes are all assumed to be used to repurchase shares of the Company's common stock.

Common stock outstanding reflected in the Company's balance sheets includes restricted stock awards outstanding. Securities that may participate in undistributed net income with common stock are considered participating securities. The following schedule presents the calculation of basic and diluted net income per share:

| | For the Year Ended March 31, | |
|---|---|---|
| | 2019 | 2018 |
| Net Income (loss) per common Share: | | |
| Basic | $0.01 | ($0.01) |
| Diluted | $0.01 | ($0.01) |
| Weighted average number of common shares outstanding Basic | 115,871,518 | 107,687,354 |
| Weighted average number of common shares outstanding Fully Diluted | 116,390,749 | 108,440,709 |

Common stock outstanding reflected in the Company's balance sheet includes restricted stock awards outstanding. The computation of diluted loss per share does not assume exercise or conversion of securities that would have an anti-dilutive effect.

Net income (loss) for the year ended March 31, 2019 and 2018 were $851,225 and ($864,384), respectively.
Diluted shares outstanding represents the number of shares that would be outstanding if all issued and outstanding options and warrants were exercised.

At March 31, 2019 and 2018, the Company had no common stock equivalents outstanding that were not included in the computation of diluted net loss per common share as their effect would have been anti-dilutive, thereby decreasing the net income (loss) per common share:

*Reclassifications*

Certain accounts in the prior period financial statements have been reclassified for comparison purposes to conform to the presentation of the current period solidatedfinancial statements. These reclassifications had no effect on the previously reported net income or loss.

*Recently Issued Accounting Pronouncements*

In May 2014, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606), which was amended with ASU No. 2015-14, ASU No. 2016-08, ASU No. 2016-10, ASU No. 2016-11, ASU No. 2016-12 and ASU No. 2016-20. These new standards supersede all existing revenue recognition requirements, including most industry specific guidance. The new standard requires a company to recognize revenue when it transfers goods or services to customers in an amount that reflects the consideration that the company expects to receive for those goods or services.

In February 2016, the FASB issued ASU 2016-02, "Leases" which was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The amendments in ASU 2016-02 are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. We are in the process of completing our assessment and anticipate that ASU 2016-02 will have a material impact on our Balance Sheets, as we will record significant asset and liability balances in connection with our leased property.

In June 2018, the FASB issued ASU 2018-07, "Compensation-Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting", which expands the scope of Topic 718 to include all share-based payment transactions for acquiring goods and services from nonemployees. ASU 2018-07 specifies that Topic 718 applies to all share-based payment transactions in which the grantor acquires goods and services to be used or consumed in its own operations by issuing share-based payment awards. ASU 2018-07 also clarifies that Topic 718 does not apply to share-based payments used to effectively provide (1) financing to the issuer or (2) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under ASC 606. The amendments in ASU 2018-07 are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is currently assessing the impact of this guidance on its financial statements.

The Company has reviewed other recent accounting pronouncements and has determined that they will not significantly impact the Company's results of operations or financial position.

*Provision for Income Taxes*

In November 2015, the Financial Accounting Standards Board issued ASU No. 2015-17, "Income Taxes (Topic 740) Balance Sheet Classification of Deferred Taxes" (ASU 2015-17), which requires reporting the net amount of deferred tax assets and liabilities as a single noncurrent item on the classified balance sheet. Before this change, the net amounts of current and noncurrent deferred tax assets and liabilities were reported separately.

In accordance with GAAP, the Company has analyzed its filing positions in all jurisdictions where it is required to file income tax returns for the open tax years in such jurisdictions. The Company currently believes that all significant filing positions are highly certain and that all of its significant income tax filing positions and deductions would be sustained upon audit. Therefore, the Company has no significant reserves for uncertain tax positions, and no adjustment to such reserves was required by GAAP. No interest or penalties have been levied against the Company and none are anticipated, therefore no interest or penalty has been included in the provision for income taxes in the consolidated statements of operations. The Internal Revenue Code contains provisions which reduce or limit the availability and utilization of net operating loss carry forwards in the event of a more than 50% change in ownership. If such an ownership change occurs with the Company, the use of these net operating losses could be limited.

We account for income taxes in accordance with ASC 740, Income Taxes ("ASC 740"). ASC 740 prescribes the use of the asset and liability method to compute the differences between the tax bases of assets and liabilities and the related financial amounts, using currently enacted tax laws. If necessary, a valuation allowance is established, based on the weight of available evidence, to reduce deferred tax assets to the amount that is more likely than not to be realized. Realization of the deferred tax assets, net of deferred tax liabilities, is principally dependent upon achievement of sufficient future taxable income. We exercise significant judgment in determining our provisions for income taxes, our deferred tax assets and liabilities and our future taxable income for purposes of assessing our ability to utilize any future tax benefit from our deferred tax assets.

## NOTE 2 – GOING CONCERN

The Company's financial statements are prepared using accounting principles generally accepted in the United States of America applicable to a going concern that contemplates the realization of assets and liquidation of liabilities in the normal course of business. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Historically, the established sources of revenues have been insufficient to cover the Company's operating costs. The Company had an accumulated deficit for the Fiscal Years ending March 31, 2019 and 2018 of ($41,786,644) and ($42,637,869), respectively. The history of losses that the Company has experienced have been financed largely by issuing debt, most of which is still outstanding. Despite Management's encouragement that profitability has been proven to be achievable, and its belief that profitability will continue, there remains a number of uncertainties that, given the company's leveraged financial position, raise doubt about the Company's ability to remain a going concern.

The Company is highly leveraged relative to its assets, and has been for many years. As of March 31, 2019, total liabilities were approximately $2.8 million ($2.1 million in notes payable and $0.7 million in all other liabilities), against $1.5 million in assets. The Company incurred approximately $270,000 in interest expense in Fiscal Year 2019, $173,092 of which was satisfied with cash payments, demonstrating the yearly burden resulting from the cumulative net borrowing by the Company.

Any company in the financial position described above is distressed to some degree, and the Company is no different. To alleviate this financial distress, the long-term plan by Management is to achieve and maintain profitability, and to highly prioritize the repayment of debt with surplus cash flow until financial leverage has been decreased to a more comfortable level.

The primary going-concern risk the Company incurs is the scenario in which the Company cannot meet principal and interest obligations (and perhaps other liabilities) and debt holders and/or vendors enforce their contractual rights, potentially creating a liquidation event. While Management does not want to argue against the significance of this risk, it should also be understood that of the $2.1 million of notes payable outstanding as of March 31, 2019, $1.7 million of that was owed to Management and, thus, can be thought of as being in "friendly hands" of people who are not willing to force a liquidation.

To help further mitigate the above risk (and demonstrating Management's appreciation of its significance), Management has paid down principal outstanding on Company debt by approximately $382,000 since March 31, 2019 and restructured all debt in default to a current status. Additionally, the annual interest rate on all outstanding promissory notes is not higher than 10%.

Notwithstanding the forgoing, Management believes that it is prudent to caution potential investors that the company still experiences going-concern risks. Reasons for this opinion are as follows:

1. The Company has consistent history, prior to Fiscal Year 2019, of generating revenue that was short of expenses. One year of an exception is not enough to establish a trend or overcome the concern created by years of negative cash flow.
2. The Company has a negative book value that is large relative to the revenue and assets of the Company.
3. The Company's financial position, while improved, is still tenuous and any negative shock (sharp drop in revenues, large increase in costs) could be felt in a magnified manner because of this weak financial position.
4. While Management believes that it could still borrow money in this environment, this environment could change suddenly. A combination of a negative shock and closed financial markets could significantly hinder the Company's ability to operate as a going concern.

While Management assesses a low probability of the scenario in which the Company ceases operation within the next year, it must also acknowledge that the Company's financial situation is stressed and unknown future events may have a magnified impact on the Company because of its tenuous financial situation. Thus, Management feels compelled to caution potential investors that the company continues to experience a going-concern risk in the opinion of Management.

## NOTE 3 – ACCOUNTS RECEIVABLE

In the Company's normal course of business, the Company provides credit terms to its customers, which generally range from net 15 to 30 days. The Company performs ongoing credit evaluations of its customers. At March 31, 2019, a major international customer and a major domestic reseller accounted for 19% and 56% of the Company's accounts receivable, respectively**.**

During the last two Fiscal Years ended March 31, 2019 and March 31, 2018, the following major customers exceeded 10% of revenue:

| | For the Years Ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | | 2018 | | |
| Tatweer | $ | 148,853 | 19% | $ | 1,082,144 | 92% |
| Stemfinity | $ | 12,655 | 12% | $ | 6,577 | 1% |
| Catapult Learning | $ | 430,865 | 25% | $ | 0 | 0% |

**NOTE 4 - INVENTORIES**

Inventories consisted of the following for the Fiscal Years ended March 31, 2019 and 2018:

| | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Finished goods | 610,382 | 347,185 |
| Total finished goods | 610,382 | 347,185 |

**NOTE 5 - PREPAID EXPENSES**

Prepaid expenses consisted of the following for the Fiscal Years ended March 31, 2019 and 2018:

| | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Prepaid inventory | 16,832 | 129,458 |
| Total Prepaid Expenses | 16,832 | 129,458 |

**NOTE 6 – PROPERTY, PLANT, EQUIPMENT AND SOFTWARE**

Property, plant and equipment consisted of the following for the Fiscal Years ended March 31, 2019 and 2018:

| | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Property Plant and Equipment | 224,282 | 224,282 |
| Software | 127,355 | 127,355 |
| Accumulated depreciation | (351,637) | (351,637) |
| Property, plant and equipment | - | - |

Depreciation expense for the Fiscal Years ended March 31, 2019 and 2018 was $0 and $0, respectively.

**NOTE 7 - COMMON AND PREFERRED STOCK TRANSACTIONS**

a. Common Stock

The Board of Directors resolved on July 14, 2016, to increase the Company authorized common stock from 100,000,000 shares with no par value to 150,000,000 shares of common stock with no par value. The resolution was ratified on September 23, 2016, by the shareholders at the Annual Meeting. The Articles of Amendment were filed with the Idaho Secretary of State on October 11, 2016.

On June 7, 2018 the accrued $103,339 in Stock Payable as conversion of accrued interest on the principal balance due to the CEO of $1,867,679 was issued as 3,760,375 shares of Rule 144 "restricted" common stock at a range of $0.02 to $0.04, the bid price of the Company's common stock on the date of the transaction.

Common Stock was repurchased on July 26, 2018, when the Company entered into a stock repurchase agreement pursuant to which the Company repurchased 1,000,000 shares of its common stock in a single transaction at a purchase price of $0.025 per share, representing aggregate consideration of $25,000.

On February 13, 2019, the Company issued 9,068,389 shares of Rule 144 “restricted” common stock at $0.02, the bid price of the Company’s common stock on the date of the transaction. These shares were issued to the CEO as payment for $181,368 interest payable, accrued thru December 31, 2018 on $1,745,352 cumulative principle balance of related party promissory notes.

During the Fiscal Years ending March 31, 2019 and 2018, the Company expensed amounts related to stock options granted of $42,657 and $23,872, respectively.

During the Fiscal Year ending March 31, 2019, the Company recognized $22,748 in warrant expense as an increase to stockholders’ equity pursuant to the terms of the promissory note. The warrants consists of a beneficial conversion feature to acquire up to 1,000,000 shares of the Company’s common stock for $0.015 per share exercisable at any time within the 36 months after the date of issuance of the Original Warrants.

During the Fiscal Year ended March 31, 2019, the Company did not issue shares of common stock for services.

b. Preferred Stock

The Company has 20,000,000 authorized shares of preferred stock. As of March 31, 2019 and 2018, there are no preferred shares issued or outstanding.

**NOTE 8 - NOTES PAYABLE**

Notes payable consisted of the following at March 31, 2019 and March 31, 2018

| | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Notes payable | 148,826 | 307,990 |
| Notes payable, convertible | 90,696 | 90,696 |
| Notes payable, related party | 1,738,327 | 2,417,679 |
| Notes payable, long term | 82,251 | - |
| Total Notes Payable | $ 2,060,100 | $ 2,816,365 |

Notes Payable

On January 13, 2012, the Company entered into two separate promissory notes in the amount of $35,000 each for an aggregate amount of $70,000. After a few payments, on April 1, 2013 a loan was taken at the promissory note lender’s financial institution for a principal amount of $64,200. The loan bears interest at nine percent (9%) per annum and is due and payable on or before April 1, 2020. The underlying loan requires that the Company pay to the lender’s financial institution monthly principal and interest payments of $1,033 on or before the 1st day of each month, beginning May 1, 2013, and continuing each month in like amount until the final payment due on April 1, 2020. For the Fiscal Year ending March 31, 2019, payments had drawn down the principal by $10,698 for a March 31, 2019 ending principle balance of $12,794. This loan was subsequently paid off in full during the Company’s first quarter of Fiscal Year 2020.

On September 1, 2017, the Company executed a non-convertible promissory note with no warrants attached with a third party for $47,450 at 11% to 20% varying interest per annum, due August 15, 2019. This was a conversion of accounts payable resulting from inventory purchase into a promissory note. The Company had paid $36,418 in principal as of March 31, 2019. The note principal balance of $11,032 was outstanding at March 31, 2019, with $0 accrued interest.

On September 18, 2018, the Company executed non-convertible promissory note with no warrants attached with a third party for $85,000 at 20% interest per annum, due May 31, 2019. A $40,000 principal payment was made on January 29, 2019, along with all accrued interest to date. The note principal balance of $45,000 was outstanding at March 31, 2019, with accrued interest of $1,408. This loan was subsequently paid off in full during the Company’s first quarter of Fiscal Year 2020.

On November 6, 2018, the Company executed a non-convertible promissory note with no warrants attached with a third party for $80,000 at 20% interest per annum, due May 31, 2019. On January 29, 2019, the Company paid all accrued interest on the note through January 31, 2019. The note principal balance of $80,000 was outstanding at March 31, 2019, with accrued interest of $2,630. This loan was subsequently paid off in full during the Company's first quarter of Fiscal Year 2020.

Notes Payable – Convertible

On August 1, 2011, the Company issued 8 convertible note agreements (convertible into common stock at a rate of $0.15 per share) in the aggregated amount of $215,000. Company issued amendments and negotiated new due dates over the last seven years until six of the eight notes had converted. The remaining two promissory note holders outstanding as of March 31, 2019, have a total ending principle balance of $90,696. Interest accrued as of March 31, 2019 for the remaining promissory notes was $34,303. These notes were subsequently renegotiated during the Company's first quarter of Fiscal Year 2020 to a 48-month payoff plan that incorporated the accrued interest into the principle balance, with the new notes having fixed monthly principal and interest payments.

Note Payable – Related Party

From April 1, 2013 to March 31, 2017, the Company executed related party promissory notes with the Chairman and CEO for $1,292,679, $175,000, $340,000, and $60,000, with interest of 10% per annum. All of these notes were in default by April 30, 2016. Principal payments were made totaling $179,352 for an ending principal balance at March 31, 2019 of $1,688,327. All accrued interest as of December 31, 2018 was converted to shares of "restricted" Rule 144 common stock with a per share value of $0.02 to $0.04. Monthly interest payments have been made in cash starting in January of 2019. This promissory note was subsequently renegotiated during the Company's first quarter of Fiscal Year 2020, consolidating the principal amounts and extending the due date to April 20, 2020.

On February 1, 2017, the Company executed a non-convertible promissory note with no warrants attached with a member of the Executive Management Team and Board of Directors, for $50,000 at 20% interest per annum, due April 30, 2017. The note's principal balance of $50,000 was outstanding at March 31, 2019, with accrued interest of $21,671. This promissory note was subsequently renegotiated during the Company's first quarter of Fiscal Year 2020, rolling the accrued interest into principle, reducing the interest rate to 10% per annum, and extending the due date to May 31, 2020.

Note Payable – Long Term

On July 25, 2018, the Company executed a non-convertible promissory note with one million warrants (1,000,000) attached with a third-party investor, which is 33% owned by a non-employee related party, for $100,000 at 10% interest per annum, due July 25, 2021. The note's principal balance of $100,000, stated net of a $17,749 unamortized debt discount, was outstanding at March 31, 2019, with accrued interest of $1,821.

## NOTE 9 - COMMITMENTS AND CONTINGENCIES

a. Operating Lease Obligation

The Company leases one building containing its main office and warehouse space under a non-cancelable lease agreement accounted for as an operating lease expiring March 31, 2020. Building lease expense was $58,800, and $57,600, for the years ended March 31, 2019, and 2018, respectively. Total lease expense was 94,416, and $93,216, for the years ended March 31, 2019, and 2018, respectively.

b. Equipment Lease Obligation

The Company leases one production printer for a term of 60 months, with a purchase option of fair market value. expiring December 2020. Equipment lease expense was $35,616, and $35,616, for the Fiscal Years ended March 31, 2019, and 2018, respectively.

Total minimum lease obligation
over the next 5 years

| Fiscal Year | Amount |
|---|---|

| | | |
|---|---|---|
| 2020 | $ | 95,616 |
| 2021 | | 26,712 |
| 2022 | | - |
| 2023 | | - |
| 2024 | | - |
| Total | $ | 122,328 |

**NOTE 10 - ACCRUED EXPENSES**

Accrued expenses are made up of the following at March 31, 2019 and March 31, 2018.

| | March 31, 2019 | | March 31, 2018 | |
|---|---|---|---|---|
| Interest payable | $ | 61,835 | $ | 120,418 |
| Sales tax payable | | 1,926 | | 2,717 |
| Payroll liabilities | | 44,031 | | 36,289 |
| Total accrued expenses | $ | 107,792 | $ | 159,424 |

**NOTE 11 – INCOME TAXES**

Although we believe that our tax estimates are reasonable, the ultimate tax determination involves significant judgments that could become subject to examination by tax authorities in the ordinary course of business. We periodically assess the likelihood of adverse outcomes resulting from these examinations to determine the impact on our deferred taxes and income tax liabilities and the adequacy of our provision for income taxes. Changes in income tax legislation, statutory income tax rates or future taxable income levels, among other things, could materially impact our valuation of income tax assets and liabilities and could cause our income tax provision to vary significantly among financial reporting periods.

Net deferred tax assets and liabilities consist of the following components as of March 31, 2019:

| **Current Provision for Income Taxes** | | **Federal** | | **State** |
|---|---|---|---|---|
| Pretax financial income (loss) | $ | 851,225 | $ | 851,225 |
| Non-deductible expenses | | 49,374 | | 49,374 |
| Temporary differences | | (10,812) | | (10,812) |
| Operating loss carryforwards realized | | (889,787) | | (889,787) |
| State income tax deduction | | - | | |
| Taxable Income From Continuing Operations | $ | - | $ | - |
| Tax rate | | 0.00% | | 7.00% |

The Company files income tax returns in the United States, the State of Idaho and the State of California. The statute of limitations on a Federal tax return is the due date of the tax return plus three years. In the case of NOLs, the year in which the NOL was generated remains open up to the amount of the NOL until the statute of limitations expires on the year it was used. All required tax returns of the Company due since inception have been filed. The Company does not have any unrecognized tax benefits to report in the current period.

| Summary of Provision for Income Taxes from Continuing Operations | Federal | State |
|---|---|---|
| Taxable Income Before Benefit of NOL Carryforward | $ 889,787 | $ 889,787 |
| Current tax before benefit from operating loss carryforwards | 186,855 | 62,285 |
| Benefit from operation loss carryforwards | (186,855) | (62,285) |
| Deferred tax | (3,214,841) | (1,138,751) |
| Valuation Allowance | 3,214,841 | 1,138,751 |
| **Total Tax Expense (Benefit)** | **$ -** | **$ -** |
| **Summary of Operating Loss Carryforwards** | | |
| Unused balance carryforward | $ 17,486,419 | $ 17,070,125 |
| Balance 3/31/18 | 17,486,419 | 17,070,125 |
| Operating loss carryforwards realized | (889,787) | (889,787) |
| Expiration of 3/31/1999 NOL | (242,770) | - |
| Balance 3/31/19 | $ 16,353,862 | $ 16,180,338 |

**NOTE 12 - DILUTIVE INSTRUMENTS**

Stock Options and Warrants

**Stock Options**

The Company is required to recognize expense of options or similar equity instruments issued to employees using the fair-value-based method of accounting for stock-based payments in compliance with the financial accounting standard pertaining to share-based payments. This standard covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans. Application of this standard requires significant judgment regarding the assumptions used in the selected option pricing model, including stock price volatility and employee exercise behavior. Most of these inputs are either highly dependent on the current economic environment at the date of grant or forward-looking over the expected term of the award.

| | Issued | Cancelled | Exercised | Total Issued and Outstanding | Exercisable | Not Vested |
|---|---|---|---|---|---|---|
| Balance as of March 31, 2017 | 2,416,655 | 15,526,870 | 9,977,210 | 1,032,575 | 262,575 | 770,000 |
| Common Stock Options | 300,000 | 459,220 | - | (279,220) | (503,413) | (315,000) |
| Balance as of March 31, 2018 | 26,716,655 | 15,986,090 | 9,977,210 | 753,355 | 298,355 | 455,000 |
| Common Stock Options | 1,250,000 | 825,000 | - | 425,000 | 655,000 | (230.000) |
| Balance as of March 31, 2019 | 27,966,655 | 16,811,090 | 9,977,210 | 1,178,355 | 953,355 | 225,000 |

On August 21, 2018, the Company granted 1,000,000 stock options to our President, Michael J. Bledsoe. The expected volatility rate of 254.03% was calculated using the Company's stock price over the period beginning August 21, 2018, through date of issue. A risk-free interest rate of 0.27% was used to value the options. The options were valued using the Black-Scholes valuation model. The total value of this option was $25,846. The options vest immediately and are exercisable at $0.025 per share which represents the fair market value at the date of grant in accordance with the 2009 Equity Incentive Plan. The entire value of the options was expensed at time of grant as they vested immediately.

On March 20, 2018, the Company granted 250,000 stock options to an employee, Michelle Fisher. The expected volatility rate of 236.6% was calculated using the Company's stock price over the period beginning April 2, 2018, through date of issue. A risk-free interest rate of 0.29 % was used to value the options. The options were valued using the Black-Scholes valuation model. The total value of this option was $3,607. The options vest over a two-year period and are exercisable at $0.015 per share which represents the fair market value at the date of grant in accordance with the 2009 Equity Incentive Plan. As of March 31, 2019, $1,850 of the total value was expensed.

On November 1, 2016, the Company granted 500,000 stock options to an officer, Michael J. Bledsoe. The expected volatility rate of 230.18% was calculated using the Company's stock price over the period beginning July 1, 2014, through date of issue. A risk-free interest rate of 0.08 % was used to value the options. The options were valued using the Black-Scholes valuation model. The total value of this option was $37,315. The options vest over a three-year period and are exercisable at $0.08 per share which represents the fair market value at the date of grant in accordance with the 2009 Equity Incentive Plan. As of March 31, 2019, $34,212 of the total value was expensed.

**Warrants**

On July 25, 2018, the Company issued 1,000,000 warrants to a third party, promissory note holder, that is 33% owned by a related party and beneficial shareholder owning more than 5% of the Company's outstanding stock with a 36 month term to purchase "restricted" Rule 144 common stock, no par value (the "Share"), as consideration for the issuance of a promissory note in the amount of $100,000, from the Company at a purchase price of $0.015 per share of Common Stock (the "Exercise Price"). These Warrants are fully vested and exercisable. The warrants were evaluated for embedded derivatives in accordance with ASC 815 and were found to not include any embedded derivatives. The warrants attached to the note were valued using the Black Scholes Valuation Model. The assumptions used in the model included the historical volatility of the Company's stock of 254%, and the risk-free rate for the periods within the expected life of the warrant based on the U.S. Treasury yield curve in effect of 2.74%. The resulting fair value is $22,748. This value was recorded as a debt discount and is being amortized over the life of the loan. $4,999 was amortized as of March 31, 2019.

| | Issued | Cancelled | Exercised | Total Issued and Outstanding | Exercisable | Not Vested |
|---|---|---|---|---|---|---|
| Balance as of March 31, 2017 | 4,690,000 | 1,870,000 | - | 2,820,000 | 2,820,000 | - |
| Warrants | - | 2,700,000 | 120,000 | - | - | - |
| Balance as of March 31, 2018 | 4,690,000 | 4,570,000 | 120,000 | - | - | - |
| Warrants | 1,000,000 | - | - | 1,000,000 | 1,000,000 | - |
| Balance as of March 31, 2019 | 5,690,000 | 4,570,000 | 120,000 | 1,000,000 | 1,000,000 | - |

## NOTE 13 - RELATED PARTY TRANSACTIONS

On June 7, 2018 the accrued $103,339 in Stock Payable as conversion of accrued interest on the principal balance due to the CEO of $1,867,679 was issued as 3,760,375 shares of Rule 144 "restricted" common stock at a range of $0.02 to $0.04, the bid price of the Company's common stock on the date of the transaction.

On February 13, 2019 the accrued interest payable on the CEO's $1,745,352 cumulative principle balance of promissory notes, related party in default, as of December 31, 2018 of $181,368 was issued as 9,068,389 shares of Rule 144 "restricted" common stock at $0.02, the bid price of the Company's common stock on the date of the transaction.

From Fiscal Year 2013 to Fiscal Year 2017, the Company executed related party promissory notes with the Chairman and CEO for $1,292,679, $175,000, $340,000, and $60,000, with interest of 10% per annum. The notes had varying payment requirements, all of which were in default by April 30, 2016. Principal payments were made totaling $179,352 for an ending principal balance at March 31, 2019 of $1,688,327. All accrued interest as of December 31, 2018 was converted to common stock shares of "restricted" Rule 144 common with a per share value of $0.02 to $0.04. This promissory note was subsequently rewritten, consolidating the principal amounts and extending the due date. This promissory note was subsequently renegotiated, consolidating the principal amounts and extending the due date to April 20, 2020.

On February 1, 2017, the Company executed a non-convertible promissory note with no warrants attached with an employee for $50,000 at 20% interest per annum, due April 30, 2017. The note principal balance of $50,000 was outstanding at March 31, 2019, with accrued interest of $21,671. This promissory note was subsequently renegotiated, rolling the accrued interest into the principle balance and extending the due date to May 31, 2020.

On August 21, 2018, the Company granted 1,000,000 stock options to our President, Michael J. Bledsoe. The expected volatility rate of 254.03% was calculated using the Company's stock price over the period beginning August 21, 2018, through date of issue. A risk-free interest rate of 0.27% was used to value the options. The options were valued using the Black-Scholes valuation model. The total value of this option was $25,846. The options immediately and are exercisable at $0.025 per share which represents the fair market value at the date of grant in accordance with the 2009 Equity Incentive Plan. The entire value of the options were expensed at time of grant as they vested immediately.

On July 25, 2018, the Company executed a non-convertible promissory note with one million warrants (1,000,000) warrants attached with a third party investor, which is 33% owned by a related party for $100,000 at 10% interest per annum, due July 25, 2021. The note principal balance of $100,000, stated net of a $17,749 unamortized debt discount, was outstanding at March 31, 2019, with accrued interest of $1,821.

## NOTE 14 - SUBSEQUENT EVENTS

On January 13, 2012, the Company entered into two separate promissory notes in the amount of $35,000 each for an aggregate amount of $70,000. After a few payments, on April 1, 2013 a loan was taken at the promissory note lender's financial institution for a principal amount of $64,200. The loan bear interest at nine percent (9%) per annum and are due and payable on or before April 1, 2020. The underlying loan requires that the Company pay to the lenders financial institution monthly payments of $1,033 on or before the 1st day of each month, beginning May 1, 2013, and continuing each month in like amount until the final payment due on April 1, 2020. For the Fiscal Year ending March 31, 2019, payments reduced outstanding principal by $10,698 to a March 31, 2019 ending principle balance of $12,794. The April 1, 2019 payment was made and on May 30, 2019 the company paid off the note payable in full.

On September 18, 2018, the Company executed a non-convertible promissory note with no warrants attached with a third party for $85,000 at 20% interest per annum, due May 31, 2019. A $40,000 principal payment was made on January 29, 2019, along with accrued interest through January 31, 2019. The note principal balance of $45,000 was outstanding at March 31, 2019, and subsequently paid in full on April 30, 2019 with all accrued interest.

On November 6, 2018, the Company executed a non-convertible promissory note with no warrants attached with a third party for $80,000 at 20% interest per annum, due May 31, 2019. The Company paid all accrued interest through January 31, 2019 on January 29, 2019. The note principal balance of $80,000 was outstanding at March 31, 2019, and subsequently paid in full on April 30, 2019 with all accrued interest.

On May 31, 2019 the two remaining convertible note holders with the ending principal balance of $90,696 on March 31, 2019, rolled their principal and interest into a new promissory notes paying 10% interest per annum, to be paid in 48 equal installments of principal and interest commencing on June 1, 2019.

On April 19, 2019, the Company executed a loan consolidation and security agreement of $1,688,327 including the following related party promissory notes with the Chairman and CEO of $1,292,679, $175,000, and $340,000, with interest of 10% per annum and due date of April 20, 2020, less principal payments in Fiscal Year 2019 totaling $179,352 for an ending principal balance at March 31, 2019 of $1,688,327. The collateral for this loan consolidation consists of the collateral generally described as all: inventory; intellectual property; intangible assets; furniture, fixture and equipment. Subsequent principle payments made as of June 30, 2019 total $245,000.

On February 1, 2017, the Company executed a non-convertible promissory note with no warrants attached with a member of the Executive Management Team and Board of Directors for $50,000 at 20% interest per annum, due April 30, 2017. The note principal balance of $50,000 was outstanding at March 31, 2019, with accrued interest of $21,671. This promissory note was subsequently rewritten, rolling the accrued interest into a new principle balance of $73,342.47, reducing the interest rate to 10% per annum, and extending the due date to May 31, 2020.