

# Pure Broadcast Corporation

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## FINANCIAL STATEMENTS AND INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

For the Six Months Ended June 30, 2020

DRAFT

# Pure Broadcast Corporation

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## INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To the Board of Directors of  
Pure Broadcast Corporation  
Salt Lake City, Utah

Management is responsible for the accompanying financial statements of Pure Broadcast Corporation (a corporation), which comprise the balance sheets as of June 30, 2020 and December 31, 2019, and the related statements of operations, shareholders' deficit, and cash flows for the six months ended June 30, 2020 and 2019, 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 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 financial statements.

Bountiful, Utah  
July 22, 2020

**Pure Broadcast Corporation**  
**Balance Sheets**

	<u>June 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 70,270	\$ 3,184
Total current assets	<u>70,270</u>	<u>3,184</u>
Deferred tax benefit		
	<u>5,683</u>	<u>-</u>
Total other assets	<u>5,683</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 75,953</u></u>	<u><u>\$ 3,184</u></u>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current liabilities		
Accounts payable	\$ -	\$ 500
Accrued loan interest	1,500	7,155
Advances from related party	100	-
Accrued tax liability	3,328	5,034
Current portion of long-term debt	<u>30,000</u>	<u>35,000</u>
Total current liabilities	34,928	47,689
Long-term debt, net of current portion		
	<u>100,000</u>	<u>-</u>
TOTAL LIABILITIES	<u>134,928</u>	<u>47,689</u>
Stockholders' deficit		
Preferred stock, par value \$.001, authorized 5,000,000 shares and 0 shares issued and outstanding	-	-
Common stock, par value \$.001, authorized 100,000,000 shares with 19,950,000 and 19,950,000 shares issued and outstanding, respectively	19,950	19,950
Accumulated deficit	<u>(78,925)</u>	<u>(64,455)</u>
TOTAL STOCKHOLDERS' DEFICIT	<u>(58,975)</u>	<u>(44,505)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	<u><u>\$ 75,953</u></u>	<u><u>\$ 3,184</u></u>

See accompanying notes to financial statements and independent accountant's compilation report.

**Pure Broadcast Corporation**  
**Statements of Operations**

	Six Months Ended June 30,	
	2020	2019
Net sales	\$ -	\$ 351,700
Expenses		
Administrative	-	62,794
Driver and transportation	591	275,144
Insurance	-	23,814
Licenses and permits	2,514	2,915
Management fees	4,000	28,847
Marketing	-	119
Meals and entertainment	646	3,619
Miscellaneous	597	1,000
Professional services	3,983	33,464
Repairs and maintenance	-	11,584
Telephone	157	8,599
Travel	26	14,848
	12,514	466,747
Total expenses		
Loss before other income (expense)	(12,514)	(115,047)
Other income (expense)		
Interest expense	(9,345)	(66,689)
Forgiveness of debt	-	436,538
Gain on sale of investment	-	468,750
Gain on sale of contracts	-	600,000
Gain on disposal of property and equipment	-	331,682
Interest income	-	113
	(9,345)	1,770,394
Total other income (expense)		
Income (loss) before income taxes	(21,859)	1,655,347
Current tax expense	1,706	(19,778)
Deferred tax benefit	5,683	68,462
Net income (loss)	\$ (14,470)	\$ 1,704,031
Income (loss) per common share	\$ (0.01)	\$ 0.08

See accompanying notes to financial statements and independent accountant's compilation report.

**Pure Broadcast Corporation**  
**Statements of Shareholders' Deficit**

	<u>Shares</u>	<u>Common Stock</u>	<u>Preferred Stock</u>	<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
Balance, December 31, 2018	23,315,000	\$ 23,315	\$ -	\$ 369,283	\$ (1,121,068)	\$ (728,470)
Issuance of common shares	300,000	300	-	(300)	-	-
Return of capital	-	-	-	(368,983)	(581,617)	(950,600)
Repurchase of warrants	-	-	-	-	(27,500)	(27,500)
Retirement of common shares	(3,665,000)	(3,665)	-	-	3,665	-
Net Income	-	-	-	-	1,704,031	1,704,031
Balance, June 30, 2019	<u>19,950,000</u>	<u>\$ 19,950</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (22,489)</u>	<u>\$ (2,539)</u>
Balance, December 31, 2019	19,950,000	\$ 19,950	\$ -	\$ -	\$ (64,455)	\$ (44,505)
Net loss	-	-	-	-	(14,470)	(14,470)
Balance, June 30, 2020	<u>19,950,000</u>	<u>\$ 19,950</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (78,925)</u>	<u>\$ (58,975)</u>

See accompanying notes to financial statements and independent accountant's compilation report.

**Pure Broadcast Corporation**  
**Statements of Cash Flows**

	Six Months Ended June 30,	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ (14,470)	\$ 1,704,031
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Gain on disposal of property and equipment	-	(331,682)
Gain on sale of contracts	-	(600,000)
Realized gain on sale of investment	-	(468,750)
Forgiveness of debt	-	(436,538)
Changes in operating assets and liabilities:		
Accounts receivable	-	256,400
Deferred tax benefit	(5,683)	(68,462)
Deposits	-	633
Accounts payable	(500)	(410,108)
Accrued loan interest	(5,655)	-
Accrued tax liability	(1,706)	19,778
	(28,014)	(334,698)
Net cash provided by (used in) operating activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investment	-	468,750
Proceeds from sale of contracts	-	600,000
Purchase of property and equipment	-	(857,137)
Proceeds from sale of assets	-	5,693,142
	-	5,904,755
Net cash provided by (used in) investing activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on capital leases	-	(2,000,000)
Principal payments on note payable	(5,000)	(1,660,592)
Proceeds from notes payable	100,000	-
Proceeds from notes payable - related party	100	-
Principal payments on convertible notes payable	-	(965,000)
Repurchase of warrants	-	(27,500)
Return of capital	-	(950,600)
	95,100	(5,603,692)
Net cash provided by (used in) financing activities		
Net change in cash and cash equivalents	67,086	(33,635)
Cash and cash equivalents, beginning of year	3,184	53,874
Cash and cash equivalents, end of year	\$ 70,270	\$ 20,239
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for interest	\$ 15,000	\$ 5,151
Cash paid for income taxes	\$ -	\$ 100

See accompanying notes to financial statements and independent accountant's compilation report.

# Pure Broadcast Corporation

## Notes to Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Nature of operations** – Pure Broadcast Corporation (the “Company”) owns equipment that is used for television broadcast support. The Company provides this equipment for sporting events in the United States.

**Organization** – The Company was originally incorporated in the State of Utah on September 26, 2006. Its stated primary purpose of business at the time was to make short-term loans and to factor accounts receivable, invoices, and other items.

**Acquisition** – On February 1, 2017, the Company issued 15,280,000 shares to Pure Custom Ventures, LLC (“PCV”) in exchange for PCV’s operating assets and liabilities. These newly issued shares represent approximately 80% of its outstanding common shares. The acquisition was treated, for accounting purposes, as a recapitalization in a reverse merger.

**Revenue Recognition** – The Company utilizes the accrual method of accounting whereby revenue is recognized when earned. Revenue is generated from contracts to use the Company’s television broadcasting equipment and is recognized when each event obligation has been substantively completed.

**Income taxes** – The Company is taxed as a regular corporation as defined in the Internal Revenue Code (IRC). The Company accounts for income taxes in accordance with the accounting guidance issued by the Financial Accounting Standards Board (FASB) which provides that deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax basis of assets and liabilities using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

The Company’s tax filings for the years ending December 31, 2019, 2018, 2017, and 2016 are subject to examination by the IRS, generally for three years after they are filed. Generally accepted accounting principles require tax effects from an uncertain tax position to be recognized in the financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. If an uncertain tax position meets the more-likely-than-not threshold, the largest amount of tax benefit that is greater than 50% likely to be recognized upon ultimate settlement with the taxing authority is recorded. In evaluating the Company’s tax provisions and accruals, the Company believes that its estimates are appropriate based on current facts and circumstances.

**Basis of Accounting** – The accompanying financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. Income is recognized when earned and expenses are recognized when incurred.

**Use of Estimates** – The preparation of financial statements in conformity with generally accepted accounting principles generally accepted in the United States of America 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** – The Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. The Company maintains its cash balances at a financial institution insured by the Federal Deposit Insurance Corporation up to \$250,000. Uninsured cash balances at June 30, 2020, and December 31, 2019, were \$0 and \$0, respectively. The Company has not experienced losses in such accounts and does not believe it is exposed to significant risk in these accounts.

**Gain / Loss Per Share** – The computation of gain / loss per share is based on the weighted average number of shares outstanding during the period presented in accordance with Accounting Standard Codification No. 260, *Earnings Per Share* (See Note 2).

**Fair Value of Financial Instruments** – The Company estimates that the fair value of all financial instruments at June 30, 2020, and December 31, 2019, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet.



## Notes to Financial Statements (continued)

### 2. GAIN / (LOSS) PER SHARE

The following data shows the amounts used in computing gain / (loss) per share.

	Six Months Ended June 30,	
	2020	2019
Gain / (loss) from continuing operations available to common shareholders (numerator)	\$ (14,470)	\$ 1,704,031
Weighted average number of common shares outstanding used in gain / (loss) per share during the period (denominator)	19,950,000	22,626,562

Dilutive loss per share was not presented, as the Company had no common equivalent shares for the periods presented that would affect the computation of diluted gain / (loss) per share.

### 3. LONG-TERM DEBT

Long-term debt at June 30, 2020 consists of the following:

Loan payable to an individual. No payments are due for this note until maturity. The full principal amount and interest was originally due in March 2020. The loan's due date was modified to be due in June 2020. As the note was not paid by the maturity date, it is due upon demand. The note has a fee in the amount of \$15,000 that is payable upon maturity. \$ 30,000

Loan payable to an individual. No payments are due for this note until maturity when full principal and interest is due in March 2022. The note bears interest at 6%. 100,000

Less amounts due within one year (30,000)

\$ 100,000

Future maturities of long-term debt are as follows:

Year ended June 30,	
2021	\$ 30,000
2022	<u>100,000</u>
	<u>\$ 130,000</u>

### 4. CASH FLOW DISCLOSURE

During the year ended December 31, 2019, the Company issued 300,000 shares of the Company's common stock at no cost to the recipients. This resulted in a \$300 increase to common stock and a decrease in additional paid in capital for the same amount. The Company also retired 3,665,000 share of the Company's common stock. This resulted in a \$3,665 reduction to common stock and an increase in accumulated deficit for the same amount.

## **Notes to Financial Statements (continued)**

### **5. GOING CONCERN**

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. However, the Company's cash and cash equivalents is not enough to satisfy their current liabilities and they have sold their client contracts and all operating assets necessary to generate revenue. There is no assurance that the Company will be successful in raising the additional capital. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

### **6. DATE OF MANAGEMENT'S REVIEW**

In preparing the financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through July 22, 2020, the date that the financial statements were available to be issued.

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