

**FUEGO ENTERPRISES, INC.**

**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2019 AND 2020**

**FUEGO ENTERPRISES, INC.**

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**FUEGO ENTERPRISES, INC.**  
**UNAUDITED CONSOLIDATED BALANCE SHEETS**

	December 31, 2019	December 31, 2020
<b>ASSETS</b>		
Current Assets		
Cash	\$ 250,193	\$ 44,010
Accounts Receivable	37,500	-
Total Current Assets	287,693	44,010
Furniture and Property, net	467,008	447,441
Investments	1,074,951	1,005,693
Other Assets	82,691	2,749
<b>TOTAL ASSETS</b>	<b>\$ 1,912,343</b>	<b>\$ 1,499,893</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities		
Accounts Payable	\$ 17,837	\$ 50,835
Customer Deposits	-	50,148
Total Current Liabilities	17,837	100,984
Mortgage Payable	348,986	357,044
Notes Payable	-	277,480
Total Liabilities	366,823	735,507
Stockholders' Equity		
Paid-In Capital: Common Stock		
(60,000,000 shares authorized; 24,326,827 issued and outstanding; par value \$0.001)	22,043	24,327
Paid-In Capital: SBA EIDL Advance	-	10,000
Additional Paid-In Capital: Common Stock		
(60,000,000 shares authorized; 24,326,827 issued and outstanding; par value \$0.001)	4,535,052	4,675,452
Paid-In Capital: Preferred Stock		
(15,000,000 shares authorized; 10,000,000 issued and outstanding; par value \$0.001)	10,000	10,000
Total Paid-In Capital	4,567,095	4,719,778
Accumulated Deficit	(3,021,575)	(3,955,393)
Total Stockholders' Equity	1,545,520	764,386
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 1,912,343</b>	<b>\$ 1,499,893</b>

**SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS**

**FUEGO ENTERPRISES, INC.**  
**UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS**

	For the Year Ended	
	December 31, 2019	December 31, 2020
Revenue	\$ 6,103,156	\$ 366,750
Costs and Expenses		
Cost of Revenue	3,369,195	39,502
Selling, General, and Administrative	3,000,173	1,261,065
Total Costs and Expenses	6,369,368	1,300,567
Income (Loss) before Income Taxes	(266,212)	(933,817)
Income Tax Expense	-	-
Net Income (Loss)	\$ (266,212)	\$ (933,817)
Earnings per Share (Basic)	\$ (0.01)	\$ (0.04)
Earnings per Share (Diluted)	\$ (0.01)	\$ (0.03)
Common Shares Outstanding (Basic)	22,043,160	24,326,827
Common Shares Outstanding (Diluted)	32,043,160	34,326,827

**SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS**

**FUEGO ENTERPRISES, INC.**  
**UNAUDITED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

	Common Stock			Preferred Series "A"			Total Paid-In Capital	Accumulated Deficit	Total
	Shares	Paid-In Capital	Additional Paid-In Capital	Shares	Paid-In Capital	Additional Paid-In Capital			
<b>Balance, December 31, 2018</b>	21,528,160	\$ 21,528	\$ 4,509,817	10,000,000	\$ 10,000	\$ -	\$ 4,541,345	\$ (2,755,363)	\$ 1,785,982
Share-Based Compensation Net Income	515,000	\$ 515	\$ 25,235				\$ 25,750	\$ (266,212)	
<b>Balance, December 31, 2019</b>	22,043,160	\$ 22,043	\$ 4,535,052	10,000,000	\$ 10,000	\$ -	\$ 4,567,095	\$ (3,021,575)	\$ 1,545,520
Share-Based Compensation Net Income	2,283,667	\$ 2,284	\$ 140,400				\$ 142,683	\$ (933,817)	
SBA EIDL Advance							\$ 10,000		
<b>Balance, December 31, 2020</b>	24,326,827	\$ 24,327	\$ 4,675,452	10,000,000	\$ 10,000	\$ -	\$ 4,719,778	\$ (3,955,393)	\$ 764,386

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**FUEGO ENTERPRISES, INC.**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	For the Year Ended	
	December 31, 2019	December 31, 2020
<b>OPERATING ACTIVITIES</b>		
Net Income	\$ (266,212)	\$ (933,817)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	19,567	19,567
Changes in operating assets and liabilities:		
Accounts Receivable	11,697	37,500
Undeposited Funds	-	(2,749)
Accounts Payable	7,657	32,998
Customer Deposits	-	50,148
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>(227,291)</b>	<b>(796,353)</b>
<b>INVESTING ACTIVITIES</b>		
Investment in New Projects	(11,500)	-
Sale of Katapult Marketplace, LLC	-	69,257
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>(11,500)</b>	<b>69,257</b>
<b>FINANCING ACTIVITIES</b>		
Share-Based Compensation	25,750	142,683
Mortgage Payable	(9,711)	8,058
Notes Payable	-	277,480
SBA EIDL Advance	-	10,000
Notes Payable - Related Party	1,000	82,691
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>17,039</b>	<b>520,912</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(221,752)</b>	<b>(206,183)</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>471,945</b>	<b>250,193</b>
<b>CASH, END OF YEAR</b>	<b>\$ 250,193</b>	<b>\$ 44,010</b>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest Expense	\$ 18,759	\$ 18,134

**SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS**

**FUEGO ENTERPRISES, INC.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2019 and 2020**

## **1. Summary of Significant Accounting Policies**

### *Nature of Operations*

Fuego Enterprises, Inc. (the “Company”, “Fuego”, “we”, “our” or “us”) was originally incorporated under the laws of the State of Nevada on December 30, 2004 as “Durango Entertainment, Inc.” On February 15, 2005, we filed a Certificate of Amendment with the Nevada Secretary of State changing our name to “Fuego Entertainment, Inc.” On May 18, 2009, we filed a Certificate of Amendment with the Nevada Secretary of State changing our name to “Fuego Enterprises, Inc.” The Company operates principally as a diversified holding company for business opportunities in emerging and developed markets.

### *Basis of Financial Statements Presentation*

The accompanying financial statements include those of Fuego Enterprises, Inc. and its subsidiaries. The financial statements have been prepared by management in accordance with accounting principles generally accepted in the United States of America. The fiscal year end of the Company is May 31.

### *Business Description*

Fuego Enterprises, Inc. is a public company trading on the Pink Open Market under the symbol “FUGI.” The Company is a diversified holding company for business opportunities in emerging and developed markets, and (1) makes direct equity investments, (2) launches new businesses and initiatives, and (3) seeks strategic partnerships and joint venture opportunities in the following industries:

- Travel & Hospitality, including Real Estate;
- Consumer Products & Promotional Goods;
- Software & Technology;
- Media & Entertainment;
- Infrastructure & Telecommunications; and,
- E-Commerce & Big Data Solutions.

For those looking to access emerging markets, Fuego represents multinational corporations for bespoke business development strategies, to include sales and distribution, marketing and promotions, management consulting, public relations, and more.

The Company earns the majority of its revenue through consulting services related to regulatory matters in Cuba, with the objective of OFAC-compliance for any commercial activities between the U.S. and Cuba. The balance of the Company’s revenue is earned through its media activities, including advertising and subscription revenue from the Company’s media portals and printed magazines.

### *Subsidiaries*

#### **Travel & Hospitality**

OnCuba Travel, LLC (“OCT”) is an IATAN-certified full-service global travel agency based in Miami, Florida, with relationships with airlines, hotel chains, and cruise lines around the world. The company offers comprehensive travel programs. NCL/SHOREEX, LLC is a strategic pass-through entity for operations support.

**FUEGO ENTERPRISES, INC.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
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**Media**

Fuego Enterprises, Inc. offers media products in print and digital formats, and generates revenue through (1) subscription-based and one-time sales of two magazines (OnCuba Travel Magazine (<http://www.OnCubaTravel.com/magazines>) and Art OnCuba Magazine), (2) advertisement sales for the Company's magazines and online news portal (<http://www.OnCubaNews.com>), and (3) licensing fees from the music catalog of the Company's CEO, Mr. Hugo Cancio.

**Consumer Products & Promotional Goods**

OCG, LLC ("OCG") licenses, produces, and distributes handcrafted souvenirs, destination-unique promotional products, and made-to-order goods as a full-service supplier of reliable, high-quality, and low-cost consumer items. Examples include coffee mugs, ashtrays, t-shirts, postcards, and more.

**Data Analytics**

IslaData, LLC ("IslaData") is a provider of data mining, predictive analytics, and text mining related to the Cuban marketplace. IslaData currently has no operations, and all of its expenses to date have been capitalized.

**Consolidation Policy**

The accompanying December 31, 2019 and December 31, 2020 financial statements include the Company's accounts and the accounts of its subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation. The Company's ownership of its subsidiaries as of December 31, 2020 is as follows:

Name of Subsidiary	Percentage of Ownership
OnCuba Travel, LLC	100%
OCG Logistics, LLC	100%
NCL/SHOREEX, LLC	100%
IslaData, LLC	50%

**Revenue Recognition**

**Travel & Hospitality**

Revenue related to travel, groups, and related bookings are recognized at the time the services are booked by the end-user. Sales include airfare, hotels, cruise cabins, meal packages, and tours: multi-day tours, custom tour packages, and shore excursions for cruise ship passengers. Revenue also includes the sale of visas and passport services.

**Media**

Revenue from magazine sales is recognized when (1) the magazine is shipped to the customer (in the case of one-time sales) or (2) when a customer pays for a subscription. Advertisement revenue is recognized when clients pay for advertisements in the Company's magazines or websites. Licensing fees earned from Mr. Hugo Cancio's music catalog are recognized when distributors notify the Company of sales through their online stores.

**FUEGO ENTERPRISES, INC.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
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**Consumer Products & Promotional Goods**

Revenue from the sale of consumer products and promotional goods is recognized when the products are sold.

**Other**

Fees for other services, such as consulting provided to third-parties, are recognized as revenue when the services are performed and there is reasonable assurance of collection.

*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 amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Estimates include, among other things, determining the depreciable lives of property and equipment and intangible assets. Actual results may differ from those estimates, and the differences may be material to the financial statements.

*Advertising Expenses*

Advertising costs are expensed as incurred and are included in the SG&A expenses in the accompanying statement of operations.

*Cost of Revenue*

Cost of Revenue represents the cost of travel packages and related cruise services, the cost of developing, printing and distribution of the Art OnCuba and OnCuba Travel magazines, and the cost related to the purchase and sale of merchandise.

*Income Tax Expense*

The Company pays federal corporate income taxes on its taxable income and incurs a liability for state income taxes when appropriate.

There is no income tax provision for the twelve months ended December 31, 2019 and 2020 due to net operating losses for which there is no benefit currently available. The Company had net operating losses of \$1,684,657 as of 5/31/16.

*Cash and Cash Equivalents*

Cash and cash equivalents include cash on hand and demand deposits. The Company maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At December 31, 2020, the Company did not exceed the FDIC insured limits. The Company has never experienced any losses related to these balances.

**FUEGO ENTERPRISES, INC.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
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***Property and Furniture, Net***

Property and furniture are stated at cost less accumulated depreciation. Depreciation has been calculated using the straight-line method over the estimated useful lives of the assets. Improvements and replacements of property and new equipment purchases are capitalized over \$2,500 per item. Expenditures for maintenance and repairs are charged against operations in the year incurred. Upon retirement or other disposition of property, applicable cost and accumulated depreciation are removed from the accounts and any gains and losses are included in the reporting of operations. The estimated useful life of the office condominium is 27.5 years and the furniture is 7 years.

***Allowance for Doubtful Accounts***

In order to assess the collectability of our trade accounts receivable, the Company monitors the current creditworthiness of each customer and analyzes the balances aged beyond the customer's credit terms. These evaluations may indicate a situation in which a certain customer cannot meet its financial obligations due to deterioration of its financial viability, credit ratings, or bankruptcy. The allowance requirements are based on current facts and are reevaluated and adjusted as additional information is received. Trade accounts receivable are subject to an allowance for doubtful accounts when it is probable that the balance will not be collected. Accounts receivable are ultimately written off when collection efforts have been exhausted and there is no likelihood of collection. For the period ended December 31, 2019, no allowance for doubtful accounts was made; all outstanding accounts receivable were deemed to be fully collectible. For the period ended December 31, 2020, the Company did not have an outstanding balance for accounts receivable.

***Investment in New Projects***

No operations have commenced for IslaData, LLC and Club 28; therefore, all expenses for these entities have been capitalized in the balance sheet.

***Recently Issued Accounting Standards***

The Company does not expect the adoption of any recently issued accounting pronouncements to have a significant effect on its consolidated financial position or results of operations.

***Income (Loss) Per Common Share***

Income (loss) per common share is calculated on the number of common shares outstanding during each period. Diluted income (loss) per common share is based on the number of common shares outstanding during each period, adjusted for the effect of outstanding stock equivalents.

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**2. Property and Furniture**

Property and furniture consist of the following:

	As of December 31,	
	2019	2020
Property, at Cost	\$ 490,000	\$ 490,000
Furniture	12,244	12,244
Total Property and Furniture, Gross	502,244	502,244
Less: Accumulated Depreciation	(35,236)	(54,804)
Property and Furniture, Net	\$ 467,008	\$ 447,441

Depreciation expense for property and furniture is included in selling, general, and administrative expenses as “Depreciation” on the consolidated statement of operations, and totaled \$19,567 for each of the years ended December 31, 2019 and 2020.

**3. Mortgage and Notes Payable**

Mortgage and notes payable consist of the following:

	As of December 31,	
	2019	2020
Mortgage Payable	\$ 348,986	\$ 357,044
Notes Payable	\$ -	\$ 277,480

**4. Commitments and Contingencies**

***IslaData, LLC***

In October 2018, Fuego formed IslaData, LLC (“IslaData”), a provider of data mining, predictive analytics, and text mining related to the Cuban marketplace. IslaData currently has no operations, and requires ongoing investment from the Company. The Company owns 50% of IslaData.

***Club 28***

Club 28 is a new hospitality development that the Company invested, which requires ongoing investment from the Company prior to its grand opening.

***Claims and Litigation***

On May 5, 2019, we were named as a defendant in an action brought by our former landlord. The ultimate disposition of this matter is not presently determinable; however, we believe that this claim is without merit and plan to vigorously defend ourselves.

**FUEGO ENTERPRISES, INC.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
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## **5. Related Party Transactions**

### *Loans from Shareholders*

From time to time, the Company may advance money to its CEO, Hugo Cancio. As of December 31, 2019, Mr. Cancio was advanced \$82,691.20 by the Company, but as of December 31, 2020, no amounts were outstanding.

### *Sale of Katapulk Marketplace, LLC*

As a result of the COVID-19 Outbreak, the Company experienced significant liquidity concerns in March 2020 and had no means of securing immediate cash needs for the Company's operations. The Company's CEO (Hugo Cancio) provided cash liquidity to the Company in exchange for the purchase of Katapulk Marketplace, LLC ("Katapulk") from the Company on April 1, 2020 for the full value reported on the Company's balance sheet of \$69,257.24 (and a 5% perpetual royalty to Fuego based on gross profit, should opportunities present themselves to launch Katapulk one day). Since Katapulk had not commenced operations, and had limited expectation for eventually commencing operations as a result of the U.S.-Cuba political status and COVID-19 Outbreak, and Katapulk was a wholly-owned entity, the Company was able to effect a quick transaction for immediate liquidity. Through the 5% perpetual gross profit royalty to the Company, the Company hopes (but has no expectation) that it will ultimately receive any future revenue from Katapulk.

## **6. Stockholders' Equity**

### *Common Stock and Preferred Series 'A' Stock*

The Company has 60,000,000 shares of Common Stock authorized with a par value of \$0.001 per share ("Common Stock"), and 15,000,000 shares of Preferred Series 'A' Stock authorized with a par value of \$0.001 per share ("Preferred Stock"). All Common Stock have equal voting rights, are non-assessable, and have one vote per share. Voting rights are not cumulative, and therefore, the holders of more than 50% of the Common Stock could elect all directors of the Company. There are currently 24,326,827 shares of the Company's Common Stock issued and outstanding. All 10,000,000 shares of Preferred Stock have been designated as Preferred Series "A" Stock and are issued and outstanding.

## **7. Subsequent Events**

The Company evaluated subsequent events from December 31, 2020 through the time of issuance of this financial report on September 1, 2021, and a few factors continue to contribute negatively to the Company's operations since 2019.

### *U.S.-Cuban Political Relations*

On June 4, 2019, the U.S. Department of State issued a notice that prohibits U.S. travelers from going to Cuba via cruise ships, among other restrictions (<https://www.state.gov/united-states-restricts-travel-and-vessels-to-cuba/>). As a result, the Company's revenue in 2019 and 2020 significantly declined because the majority of its revenue was sourced through a strategic agreement with an international cruise ship operator for Cuban ports of call. While the Company is working to rebalance its efforts in other international markets, it is unknown if or when this travel ban will be removed and this activity can resume.

**FUEGO ENTERPRISES, INC.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
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***COVID-19 Pandemic***

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (“COVID-19 Outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 Outbreak as a pandemic, based on the rapid increase in exposure globally.

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security (CARES) Act (“CARES Act”). The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property. It also appropriated funds for the Small Business Administration (“SBA”) Paycheck Protection Program (“PPP”) loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. The Company has applied and received certain SBA loans and an SBA EIDL Advance of \$10,000 in May 2020, which were personally guaranteed by the Company’s CEO (Hugo Cancio).

As a result of the COVID-19 Outbreak, the Company experienced significant liquidity concerns in March 2020 and April 2020, and the Company’s CEO (Hugo Cancio) purchased Katapulk Marketplace, LLC (“Katapulk”) from the Company for the value reported on the Company’s balance sheet (and a 5% perpetual royalty to Fuego based on gross profit, should opportunities present themselves to launch Katapulk one day), in order to provide the Company with emergency liquidity and the potential for passive income in the future. This entity was sold to Mr. Cancio because Katapulk had not commenced operations to date, had limited visibility for when it would ultimately commence operations (as a result of U.S.-Cuba relations and the COVID-19 Outbreak), and it was wholly-owned by the Company in order to facilitate an immediate transaction for much needed liquidity to the Company.

As of today, given the continued evolution of the COVID-19 outbreak and the ongoing political straints of the U.S.-Cuba relationship, the Company continues to see a significant decrease in demand for its services.

**8. Going Concern**

Certain accounting standards require management to assess whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity’s ability to continue as a going concern within one year after these financial statements are issued. If substantial doubt exists, additional disclosures are required.

Our primary need for liquidity is to fund working capital requirements of our businesses, capital expenditures, and for general corporate purposes, including debt repayment. We have incurred significant losses and experienced negative operating cash flows for the past two years, and accordingly, the Company has taken a number of actions to continue to support its operations and meet its obligations.

During 2020, we undertook actions to monetize the value of certain projects that were inactive and had limited expectations for successful launch or ultimate profitability. Also during 2020, the Company secured term loans from the SBA with personal guarantee provided by the Company’s CEO (Hugo Cancio).

**FUEGO ENTERPRISES, INC.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
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We acknowledge that we continue to face a challenging political environment and while we continue to experience the ongoing effects of the COVID-19 Pandemic, we are focused on new opportunities across all international markets that increase our liquidity and business operations. We continue to explore ways to unlock value across our range of assets and knowhow. We continue to right-size and redeploy our assets. Nevertheless, if we continue to experience operating losses, and we are not able to generate additional liquidity or secure additional sources of funds, substantial doubt exists related to the Company's ability to continue as a going concern.